Apple Computer may face a bruising fall in Silicon Valley

FINANCIALTIMES

EUROPE'S BUSINESS NEWSPAPER

Monday March 11 1985

World news

Suicide car Tax cuts bomb kills 'possible' Israeli in UK soldiers

At least 10 Israeli soldiers were killed and a dozen more wounded in a suicide car bomb attack on an army lorry in south Lebanon by a border crossing to the Israeli town

The car, packed with explosives, was apparently driven by a Shia Moslem seeking revenge for Fri-day's car bomb attack that killed more than 80 people in a Shia district of Beirut.

At least 16 other attacks were made on Israeli positions at the weekend, one of which left five Israeli soldiers wounded. Page 3

Cities attacked

Iraq said its warplanes hit two cities in Iran and attacked a naval target in the Gulf as Iran continued shelling Basra in southern Iraq. Iran said its aircraft had also bombed Iraqi installations and

Polish crackdown

Travel restrictions were imposed on Solidarity leader Lech Walesa and Polish police detained activists from an anti-Soviet group in a fresh crackdown on opposition. Page 2

Moscow talks

French External Relations Minister. Roland Dumas was due to arrive in Moscow for two days of talks with Soviet Foreign Minister Andrei

Geneva arms talks.

Mr Paul Nitze, the Reagan Administration's senior adviser in the Geneva arms control negotiations due to re-open tomorrow, said the Soviet Union was seeking a mono-poly of strategic space defence technology by trying to make the U.S. unilaterally shandon its "star wars" anti-missile programme. Page 2.

Top guerrilla 'killed'

ported killed in a Vietnamese attack on his base near the Kampuchea Thailand border. Thailand spurned peace moves by Vietnam as fighting contined.

Mubarak peace plan President Hosni Mubarak of Egypt,

who is to have talks in Washington with President Ronald Reagan tomorrow, is to ask for a more active U.S. role in the search for Middle East peace.

Martial law stays

Pakistan's suspended constitution but said martial law and a ban on political parties would continue. A Rawalpindi military court jailed five dissidents for plotting against the Government but acquitted 13 other people.

Kampuchea hopes

Australian Foreign Minister Bill Hayden, on a tour of South East Asia, said Thailand had asked him to continue his efforts to bring peace to Kampuchea despite the setback caused by Vietnamese incursions into Thai territory.

Buhari warning

Nigerian leader Major-General Buhari said his country's rising debt must fall before the country could return to civilian rule.

Turkish clash

Eight separatist Kurdish guerrillas, PETROMIN, Saudi Arabia's statetwo soldiers and a passer-by were killed in a clash near Diyarbakir, eastern Turkey.

U.S. aid for Mail The U.S. is to grant Mali, one of the world's 10 poorest nations, \$18m in additional aid over three years.

Shooting joke theory

Detectives himting two gunmen who shot at Air Marshal Sir Patrick Hine, a senior officer of Nato and of Britain's Royal Air Force, in West Germany said they were investigating whether the incident was a vicous joke.

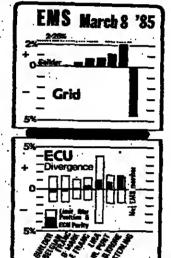
Business summary

No. 29,571

budget

gel Lawson has scope for tax cuts of between £1.5bn and £2bn (\$1.6bn and \$2.08bn) in his budget next week, London analysts believe. Page 12; Growth forecast, Page 6

EUROPEAN Monetary System: Currencies showed little change within the EMS as attention remained focused on the performance of the dollar. The Dutch guilder was against the weakest currency but



remained comfortably within its divergence limits. Once more, the doilar's overall strength against the D-Mark enabled traditionally weak currencies to show a slightly better overall performance.

on European Monetary System ex-change rates. The upper grid, based on the weakest currency in the sys-tem, defines the cross rates from tem, defines the cross rates from which no currency (except the liva) may move more than 2% per cent. The lower charz gives each currency's divergence from its "central rate" against the European Currency Unit (ECI), itself a basket of European currencies.

most influential bterary magazines in the U.S., is being taken over in a \$167m agreed cash bid by Advanced Publications, a broadly-based pub-lisher of books, periodicals and newspapers. Page 15

AMERICAN Natural Resources the Detroit-based oil and natural gas company, is to consider a varie ty of proposals designed to fight off the \$2.3bm takeover offer from Coastal Corporation, the Texas en-

MR CHARLES E. HARWOOD surprised executives of Signetics Corporation, the Silicon Valley semiconductor manufacturer owned by Philips of the Netherlands, by tendering his resignation as president.

ADELAIDE STEAMSHIP Compa ny, the Australian diversified investment group, has registered a 25.5 per cent increase in first-half

reactor manufacturer, seeks to take control of Société Internationale de Dessalement, the country's leading manufacturer of desalination units as part of its overall diversification

company which handles Italy's

LA4.7bn (520.9m) last year.

plant in Yanbu to produce base lu-bricating oil. Page 4 TALBOT UK has sent a senior executive to Iran in an attempt to

contract. Page 4 CHRISTIANA BANK, Norway's second largest commercial bank, re-

The chart shows the two constraints

GREECE has selected the small mina production plant, to be built with Soviet assistance, Page 4

THE NEW YORKER, one of the

General Zia ul-Haq revived most of ergy group. Page 15

net profit to A327m (\$18.6m).

FRAMATOME, the French nuclear

ITALCABLE, the publicly-quoted telecommunications, boosted net profits by 78 per cent to

owned oil company, and Mobil Oil are to build a 1.5m-barrel-a-year

complete a deal bartering oil for knock-down car kits to cover the company's £130m (\$138m)-a-year

ported a 43 per cent increase in total assets last year to NKr 46.4bn (\$4.7bn) but lower profitability reflecting its acquisition of Fiskernes Bank Page 15

run much deeper than a post-Christmas market slowdown. Lag-ging sales could leave Apple with little or no profit in the current been "consistent with our expectations," said Computerland, the larg-

quarter, predicts Ms Michele Preston of L. F. Rothschild, Unterberg. Towbin. She expects earnings of zero to 25 cents, down from 75 cents ero to 25 cents, down from 75 cents at the Christmas quarter.

Apple blames its slowing sales on week in December. Mr Del Yocum, in the Christmas quarter.

BY LOUISE KEHOE IN SAN FRANCISCO

APPLE COMPUTER appears to be heading for a bruising fall. The Siliindustry-wide problem" says Dr Egil Juliussen, chairman of Future con Valley personal computer com-pany's decision to close its factories Computing, a research company that tracks retail personal compufor a week reflects problems that ter sales on behalf of major manufacturers. January and February sales have

est U.S. computer retailer with 500 stores. "We do not see a general Despite record sales of \$898m in the last quarter of 1984, Apple's sales will fall to \$425m - \$445m this "Personal computer sales remain strong through the first quarter," said an IBM official, commenting on Apple's announcement

industry-wide market softness. But executive vice-president and gencompetitors, industry analysts and eral manager of the Apple II divirotailers contest Apple's view. sion, said: "Dealers ordered substantial quantities in October and

National Semiconductor, one of the leading microchip makers in the U.S., has announced that from March 18 all of its 21,000 U.S. and European employees will be working a lour-day week. National has a production plant at Greenock in Scotland and a distribution centre in West Ger-

In addition, the company which is troubled like most chipmakers by the dramatic down

many.

November when the market was very strong." In December they automatically assumed sales would continue to grow and nrdered accordingly. "But when retail sales softened, they were left with a lot of

the 406-strong workforce of its Salt Lake City plant in Utah. In February, National shut down its production lines for two weeks and planned another clo-

sure for April. This scheme has been modified in order to lessen the loss to employees, said Mr Charles Sporck, the president. About half of National's worldvide workforce is in the U.S. and

Page 10

in French

elections

By David Housego in Paris

machines on their hands." The one-week production sbut down may not be enough to solve the inventory glut. "I'm not going to speculate on what the next step will

local

ter forecasts.

this is anywhere near over," Mr Yo-

Apple's picture of overstocked retailer dealers does not match the no new computers to unveil this findings of market researchers. Fu-ture Computing's monthly poll, Ap which includes responses from 400 U.S. Apple dealers, shows that in January the retailers were holding "very slightly higher than normal" stocks of Apple products. "They have about four weeks of inventory ... less than in December," says

Dr Juliussen. "The inventory is not with the dealers, so Apple must bave it," Dr Juliussen concludes.

Apple's primary problem is, how-ever, competition – in particular, IBM, which dominates the business Increasing compe market for personal computers and is making inroads into the consumer sector. IBM is expected to inbe, but there is nothing to tell us crease its competitive pressure on

Apple this year with the introduc-tion of at least two new personal computer models. Apple says it bas

with Algeria

to test. Page 2

computer has not lived up to the

Apple admits that Macintosh has not yet been recognised as a business computer and the company plans to spend more than \$50m on advertising to try to change that

Increasing competition in the "high-end home computer market" Continued on Page 12

Greek President quits after Papandreou withdraws support

BY ANDRIANA IERODIACONOU IN ATHENS

MR CONSTANTINE Karamanlis. Greece's Conservative President, resigned yesterday following a surprise decision by the ruling Social-ist Party (Pasok) on Seturday not to support his candidacy for a second five-year term in office. The Greek parliament is due to elect a new president on March 15.

The decision represents a turn to the left by Dr Andreas Papandreou's Socialist Government, which will have to rely on the support of the pro-Moscow Communist opposition in order to secure the required three-fifths majority in the 300member parliament to elect its own candidate for President.

The Socialists bold 165 seats and the Communist Party (KKE) 13. The Government will also be relying on some support among the 10 independents.

In a sombre resignation statement Mr Karamanlis said he was quitting his post "in view of possible velopments in which I cannot b a participant." This was interpreted as a veiled reference to possible political shifts in Greece under a tacit Socialist-Communist alliance.

tion the President of Parliament will take over acting presidential duties until Friday's election for a replacement to Mr Karamanlis. The decision not to support Mr dump Mr Karamanlis. Karamanlis caught even many se-

According to the Greek constitu-

pandreou during a meeting of the

party's central committee on Satur-day morning. lowing the defeat of the Commun-ists in the 1945-49 civil war - is reday morning. He justified his decision by say-

ing thet he intended to push constitutional reforms through parlia- the right. ment to reduce the presidential The candidate nominated by Pa-powers introduced by Mr Karaman-sok for the Presidency played a lis in 1975, after the collapse of the colonels junta. These powers, originally con-

ceived to prevent a return to dictatorship, allowed Mr Karamanlis to be seen as a guarantee of moderation since the Socialists came to power on an anti-EEC and anti-Nato platform in 1981. Until the weekend, Dr Papandre-ou was widely believed to be set to

support Mr Karamanlis - and to have given the President personal assurances to that effect - in a new moderate alliance with the Conservative New Democracy Party, Greece's main opposition group. This was seen as part of a general softening of policy, designed to win

changed his mind during all-night deliberations on Friday, in which wing of Pasok, including telegrams support Mr Sartzetakis.

Support Mr Sartzetakis.

The Conservatives warned that from party committees in the provinces, persuaded Dr Papandreou the Pasok decision would lead

The President, who served as nior Pasok members unawares Prime Minister from 1955 to 1963 when it was made known by Dr Pa- the period which saw Greece's emergence as an American ally, fol-

garded by the radical Greek left

prominent role in the Karamanlis eral, who won a reputation for politleft-wing deputy Gregoris Lambrakis, as pictured in the film "Z."

Mr Sartzetakis accepted the nom-

ination, which he called "an honour," and also "a surprise." If he does not win the neces majority, parliament must be dissolved in preparation for early gen-

Pasok decision not to support Mr Karamanlis as "a positive response to the democratic feelings of the The Communists, who have been

general elections, which must be beld by October. leading widespread strikes over the The Prime Minister reportedly past weeks, partly in protest leading widespread strikes over the against "the Pasok-New Democracy front' in the presidential election mounting reaction from the left- are to decide this week whether to

that it would be politically wiser to Greece into a "critical and danger ous period in its history." They pointed out, however, that the decision "makes the political picture clear. The lion's skin bas fallen." Editorial comment. Page 10

wing as the unacceptable face of

list RPR and the centrist UDF, together with other independent and right-wing formations, some 50 per cent of the votes. Translated into period. He is Mr Christos Sartzetaparliamentary terms, this would heve probably been sufficient to kis, aged 56, a respected centre libbave given the orthodox French ical independence as the chief inright wing a majority in the nationvestigator of the killing in 1961 of al assembly.

M Jean-Marie Le Pen's extremist on racialist issues won 8 per cent of

meaning that the right scored 58 per cent of the poll.

The National Front's score was down on the 11 per cent they won in the European elections of June last eral elections.

On Saturday, the KKE hailed the year. But they were only repreented in three quarters of the cantonals that went to the polls yesterday and the cantonal elections tra-

> Abstention was a relatively low 33 per cent of the electorate, indicating the importance of the poll which is seen as a run-up to next year's parliamentary elections. On-ly 1.954 or half the French cantonals were involved in yesterday's

> > The Socialist Party was given 26 per cent of the vote, according to the computer forecasts - an im-provement on its performance in

Right gains Outright victory for SPD in Saarland poll

BY RUPERT CORNWELL IN BONN

FRANCE'S ORTHODOX opposition parties appeared close last night to WEST GERMANY'S Social Demo- land also overshadowed yesterday's obtaining a majority of the votes cast in Sunday's cantonal (local) elections, according to early compucrats (SPD) last night won an outright victory in the important Saarland election, toppling from power CDU-FDP coalition, led by Christian Democrat/Free tian Democrat mayor Herr Eber-The forecasts gave the neo-Gaul-Democrat coalition which had pre- bard Diepgen, comfortably retained

viously ruled the state. The election saw an unexpected setback for the radical Greens, the first of its kind since their advance gathered momentum in the early

The outcome is a personal tri-umph for Herr Oskar Lafontaine, Left-wing-mayor of Sa-National Front which campaigned arbrücken, the Saarland's capital, who will become the first SPD premier in the history of one of the country's smallest and most im-

poverished states. His success eclipsed even the surprisingly strong showing of the lib-eral FDP which, it had earlier been its 6.9 per cent share of the vote in 1980 to more than 10 per cent.

The extra support came, bowever, entirely at the expense of its Christian Democrat (CDU) allies. Given the failure of the Greens to exceed the 2.9 per cent they won five years ago - they seemed likely to win no more than 2.7 per cent the SPD should secure an outright 26-seat majority in the 51-seat as-

election for a new city parliament

in West Berlin, where the outgoing

Once again the Free Democrats ensured their survival, - with the bulk of votes counted, they had won over 7 per cent of the vote. Most striking, however, was the collapse of the SPD, to only 33 per cent com-

pared with 38.3 per cent at the last election in 1981. The lost support went overwhelmingly to the far left Alt-ernative Lists candidates, who gained some 4 per cent to around 11

per cent of the vote. The setback for the Greens in Saarland is a resounding vindication of the strategy of Herr Lafontaine, who had insisted he would acasserted, might fail to clear the 5 cept nothing short of full coalition per cent burdle essential for seats with the Greens to produce a leftin the new regional parliament. In-stead the FDP, on the basis of in-ling the massive problems facing complete results, managed to boost the state, where unemployment

now tops 14 per cent. In the event - helped by the lacklustre record of the outgoing state premier, Herr Werner Zeyer of the CDU - he apparently persuaded the electorate to cast their lot for him. The SPD's share of the Saarland vote jumped to around 48 per cent from 45.4 per cent in 1980.

The Christian Democrats seemed set to retain by a tiny margin, their Continued on Page 12 sembly in Saarbrücken. overall majority in the Frankfurt city ball itself.

GTM-Entrepose and Bechtel battle for \$500m pipeline deal

BY PAUL BETTS IN BOGOTA

A FIERCE bettle for a S500m oil reaching a climax. It pits GTMsteel group, against Bechtel of the

Sr Jose Barake, the interim chairman of Ecopetrol, the Colombian state oil company, said Ecopetrol was expected to award the contract at a board meeting today. Oil industry and banking officials in Bogota said, however, the deci-

sion could be postponed again be-cause of the intensity of the compe-tition. Ecopetrol failed at three board meetings last week to choose a winner. Sr Barake said the competing groups were cutting their bids by \$50m to \$70m to try to win the deal. The fight for the contract eloquently reflects the intense compe-tition that has developed in the oil

services and civil engineering industries following the collapse of international oil prices. The current bid involves the construction of the second portion of the 800 km pipeline linking the Ca-no Limon cilfield discovered by Occidental Petroleum to the Caribbean. This portion involves the remaining 500 km stretch over the

Andes to the sea.

pipeline contract in Colombia is Mannesmann of West Germany. The Cano Limon oilfield in the Entrepose, the civil engineering Colombian Llanos, or flatlands, subsidiary of the French Vallourer near the Venezuelan border, is one Colombian Llanos, or flatlands. of the biggest new finds in recent years. Although Occidental puts the reserves at 1bn barrels, the Colombian Government is estimating them more conservatively at 800m

> The Government wants the pipe-line to be completed in the next 14 months to enable Colombia to start exporting oil again by the second half of next year. Oil exports ended in the early 1970s. Sr Ivan Duque Escobar, the new Energy Minister, said be expected Colombia to export 10,000 barrels a day (b/d) next year, rising to 97,000 b/d in 1987. The exports will help ease Colombia's foreign exchange problems. The development of the new oilfield, coupled with the construction of the pipeline and other facilities, involve a total investment of about \$1.7bn. The pipeline and port terminal accounts for about \$700m of the overall cost. The cost of the pipeline is shared equally between Occident-al and Ecopetrol. Each also has a 50 per cent share in the cilfield.

appeared set to win the contract for

the second portion of the pipeline,

The first part is being built by according to finance and industry sources in Bogota, GTM-Entrepose has fought back, however, putting together with the help of its lead French bankers – the state-owned Credit Lyonnais and the French foreign trade bank, EFCE - a competitive financing package including export credit guarantees from Coface, the French export credit body.

GTM-Entrepose has also agreed to drop a \$10m claim against Ecopetrol on an earlier project to improve its chances to win the new contract. Bogota officials expect Ecopetrol will ultimately decide to share the contract between Bechtel and the French company. They said that another bid by the French Stie Capag concern had slim chances of success. Mannesmann, which has bad severe problems with the construction of the first portion of the pipeline, including the kidnapping by guerrillas of one of its engineers, also made an initial partial bid for the second portion.

Colombia is also going ahead with another pipeline project across the Andes to link the oilfields of Elf Aquitaine of France and Ecopetrol in the flatlands to the big refinery of Barrancabermeja in the centre of Until a few months ago, Bechtel

the country. This involves a \$150m Continued on Page 12

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Gonzales puts Algerian links to test

Singapore budget reduces

tax burden on companies

series of measures which he of gross salary for workers earn-said were designed to make ing up to \$3750 (£310) a month. life easier for companies at a • Wage increases are to be kept time when the country's eco-below the 8 to 12 per cent range

It was essential to "make sure the development of Singapore's that costs of operating a fast-growing fee-based banking business are not unnecessarily services, the Finance Minister

official visit to Algiers, which starts on Monday, will test, once again, the complex and often vexed relations between the Government in Madrid and

the Government in Madrid and its southern neighbours.

Sr Felipe Gonzales, Prime Minister, accompanied by Sr Fernando Moran, Foreign Minister, and Sr Luis de Valasco, Minister for Trade, will travel to Algeria in the wake of the recent settling of the long dispute between the two countries over Spanish invoorts of Algerian natural imports of Algerian natural

gas.

The visit is an attempt to get relations between Spain and its two southern neighbours, Morocco and Algeria, on to a morocco and Algeria, on to a "global" basis, as Sr Fernando Moran put it to the foreign relations committee of the Senate in Madrid last week. Historically Madrid has played one country off against the other. Until recently, Spain has Morocco and Libya.

THE SINGAPORE Government has introduced a budget aimed

at reducing the tax burden on local companies and stimulating

faster development of the country's buoyant offshore

banking and tourist industries.
Mr Tony Tan Keng Yam,
Finance Minister, announced a

time when the country's eco-nomic growth rate is expected

HIGH-POWERED Spanish tended to look to the nations across the Mediterranean as enemies and has felt more comfortable when they were at loggerheads. Sr Gonzales' visit to Algeria

is expected to rekindle trade relations which have been rather frosty during the past two years. Last year Spain is estimated to have lost at least one third of its expected \$1bn (£952m) plus exports of goods and services to Algeria.

Spanish leaders are also keen to foster friendlier relations with Algeria following the signing of a treaty of co-operation last August between Morocco and Libya.

More friendly relations with Algeria, whose President, M Chadli Bendjedid is expected to pay a state visit to Madrid later this year, must also be seen against the background of difficulties Spain is encounter-

● Payroll tax—2 per cent of gross salary payments—is to be suspended from April.

Contributions to the skills development fund, simed at pro-

to upgrade their workers' skills, are to be halved to 2 per cent

of last year.

Compulsory contributions to

experiencing delays in payments from Libya which Sr Moran estimates at \$80m. Disagreement over the extent of Libyan debts has led to the shelving of new contracts.

The surprising and embarras-sing visit Colonel Gadaff paid to the Balearic islands just before Christmas further complicated matters. After private talks with Sr Gonzales, the Libyan leader told the Spanish Press that the Spanish-held enclaves on the Moroccan coast. at Ceuta andMelilia, were Arab

The recent talks between Spain and Britain over the future of Gibrakar led King Hassan of Morocco to remind Spain that he considered the two cities to be Moroccan. The King's interview with Spanish Meanwhile, Spain is left with television two months ago, which sought to link the eventual recovery of Gibrakar by flict—as a difficult juggling act.

Spain to Morocco's claims on Ceuta and Melitla, was censored. Relations between the two countries are not helped by determination in the Western

The territory which for nearly a century was a Spanish colony, was occupied by Moroccan forces in November, 1975, and causes bitter conflict between Morocco, Algeria and the Polisario Front

This has not prevented joint military exercises between Spanish and Moroccan armed forces the latest of which was held last October. However, both sides are as discreet as possible about such activity and a visit King Hassan planned to pay to Madrid later this year has been cancelled.

Turkey revises trade deficit figures downwards

BY DAVID BARCHARD IN ANKARA

week-end

weekend.

Central bank officials said procedures for calculating Turkey's balance of payments had been revised. They showed the levels previously supposed while transit trade was higher, with the result that the 1984 current account deficit, widely believed to have been disappointingly high, was in fact \$542m (£511m). lower than at first thought.

to slow.

He said real growth in fiscal the Government's pension fund 1985, starting on April 1, is scheme, the Central Provident likely to be lower than the 8.2 Fund, are to be frozen In a bid to further encourage In a bid to further encourage. Turkey's tratie deficit last year is now thought to have seen \$2.96bn, well below inflated by other indirect taxes, reduced taxation on four types tariffs and fees."

The moves to help Singapore 10 per cent from 40 per cent. original estimates of around \$3.5bn.

The 1984 current account

TURKEY'S trade and current deficit, originally thought to account deficits over the past have been around \$2.1bn, is three years are narrower than was previously supposed, the current account deficit has been central bank announced at the revised downwards to \$2.5bn instead of the previous \$2.5bn In 1985 the trade deficit is now expected to be \$2.6m and the current account deficit is

Payments of principal and interest on foreign debt are expected to be around \$3.3bn in 1985.

News that Turkey's external payments position is less bad than was believed is likely to help the Government in its search for loans from the inter-

Turkey is expected to con-tinue borrowing in the medium

Moscow **'seeking** Star Wars monopoly'

By Reginald Dale, U.S. Editor, in Washington

MR PAUL NITZE, the Reagan Administration's senior arms control adviser. yesterday said that the Soviet Union was seeking a monopoly of strategic space defence technology by trying to make the U.S. unlaterally abandon its Star Wars antimissile programme.

Two days before the opening of the Geneva arms talks, Mr Mitte added, however, that Soviet threats against Star Wars should be taken with a grain of sait. Moscow had had a comparable programme for many years, he said.

Once the U.S. has demonvaries that the Seviet Union was not going to be allowed offensive superioty, Moscow would see the need for a "sensible" agreement, Failure to control the arms race would create agreement problements. would create greater prob-lems for the Soviet Union than the U.S., he said in an ABC television interview.

Mr Nitre outlined three phases for introducing Star Wars technolog so as to reach the ultimate goal of the "retirement" of all nuclear weapons. In the first phase of 10 years or more, the two superpowers would have to continue to rely on the threat continue to rely on the threat of nuclear retaliation for deterrence while defensive research proceded. There could be no negotiated limits

on research. The second phase would involve the transition from strategic offence to defence. The third phase would come after research had abown what weapons could feasibly be deployed. The development would then be negotiated by both sides.

EEC farm ministers prepare for fight over price freeze proposals

EEC farm ministers are today set for their first major bettle over the European Commission's proposals for a virtual freeze on fram prices in the coming year because of the huge surpluses being produced in most

Plans for real price cuts for ceresis, amounting to some 3.6 per cent, and fruit and vegetables, down by an average six per cent, are likely to set off the most bruising clashes besefending the interests of their

Quite apart from their own differences, they will be meeting next door to a full Council meeting of EEC finance ministers set on reminding them of the severe budget restraint neces-sary for agriculture, the single

most expensive part of Community Folicy.
However, the farm ministers look close to settling a financial package for the other major pillar of EEC agricultural spendpinar of EEC agricultural spend-ing, the structural fund which provides grants and subsidies for investment in infrastructure and equipment, training and specific schemes for supporting the most marginal farmers.

the blessing of the finance mini-sters, who have insisted on having a say in the spending for

The importance of the struc-The importance of the struc-tural fund is that it could increasingly replace price sup-port as the main arm of EEC agricultural policy as budget pressures force ever more res-trictive price packages. The balance between the two arms of spending is likely to be e major subject in the overall debate on subject in the overall debate on the future of the Common Agri-cultural Policy being launched by Mr Frans Andriessen, the Farm Commissioner, in the

This year's prices package This year's prices package underlines once again the pressures on farm ministers, with Britain and West Germany, for example, et loggerheads on the question of cereal prices.

Mr Michael Jopling, the UK Agriculture Minister, will argue again today that the 3.6 per cent price cut is actually too sheep meat still have to be

course of the year.

Officials expect a five-year structural programme totalling between Ecu 5hn and Ecu 5.5hn (£3.£3.3hn) to be approved with the blassing of the force of German cereals producers.

Greece and Italy are the opponents of the fruit and vegetable price cuts, put for vegetable price cuts, put forward by the Commission because of the continuing need to destroy huge tonnages of output, inclinding citrus fruit

and tomatoes. Greece could also unset agreement on the structural fund because it is looking for an injection of extra money as part of its promised Integrated Mediterranean Programmes.

This week's farm ministers council meeting represents the first real debate on the prices issue, with the major price fix-ing meeting scheduled for the end of the month.

modest, with 1984 production sheep meat still have to be levels justifying a cut of at examined at a later date.

UK urges milk quota leases

BY ANDREW GOWERS

BRITAIN is planning to press the European Community to make milk quotas more flexible

by allowing farmers to lease production quotas to one nother. The move will be discussed by EEC farm ministers in com-

encounter some opposition in Brussels and in the UK. The British Ministry of Agriculture believes that leasing is the best practicable means of making quotas less rigid, a problem which has caused mounting criticism of the EEC scheme from UK dairy farmer At present, quotas can only be transferred if farmland is sold. Although some British dairy farmers have found ways round

that rule, they are generally cumbersome and expensive.
In the British view, this inferibility poses a substantial obstacle to maintaining the efficiency of the dairy industry

Farmers' organisations and the Milk Marketing Board, arguing that quotas are a capital asset with a clear value, have been pressing for some time for permission to buy and sell them openly — a desire with which the ministry has expressed some sympathy in principle.

"It is arguable that quotas should be as freely marketable as cows," it said in a discussion document published in January. But other EEC member states and the European Commission are opposed to this plan. The fear in some member states is that a free market in quotas would umfairly benefit large efficient producers in pros-perous regions who would be able to expand at the expense

of small family farmers. efficiency of the dairy industry Whitehall, sensing that sale by preventing entrepreneurial and purchase of quotas would producers from expanding and almost certainly be vetoed in

impeding those who are less Brussels, now appears to have efficient or who want to give up dairying.

Brussels, now appears to have concluded that the leasing option stands a better political

Meanwhile, it emerged in Brussels that West Germany is informally canvassing a plan, which would significantly dilute the existing quota arrange-

As things stand, EEC milk production is to be cut automatically by a further 1 per cent in April, following the 7 per cent reduction called for almost a year ago in an effort to curb the Community's butter and milk powder mountains.

But Bonn is understood to should not be cut. Instead, it says, the Community should buy up an equivalent amount of quota by paying farmers to quit milk production. The idea has met with hostility in most well resurface during this year's Community farm price review, which starts today.

Solidarity calls for wages campaign

BY CHRISTOPHER BOBINSKI IN WARSAW

strations and strikes in support of wage demands to compensate for food price rises being introduced over the next four

The call came as Mr Lech Walesa, leader of the banned movement, was questioned again at the weekend by State prosecutors and told he must notify the anthorities each time he leaves his home town of

nationalist KPN group.

was arrested in the autumn of 1980 and held until last summer, when he was released under the amnesty for political

Solidarity underground leaders have told their members they should be demanding increases of Zi 2,000 (£13) a Another sign that the Covern-ment is stepping up its drive against the opposition and is immediate rise of 11 per cent

POLAND'S Solidarity under ready to let the number of on the average monthly wage ground leadership (TKK) has political prisoners grow, came while the Government was told its supporters to prepare as the police broke up a meet-planning that wages would rise 13 per cent. The TKK has called for

factory shopfloor rallies on April 1 to coincide with the next round of food price increases, demonstrations on May 1 and a strike in June should the wage demand not be met

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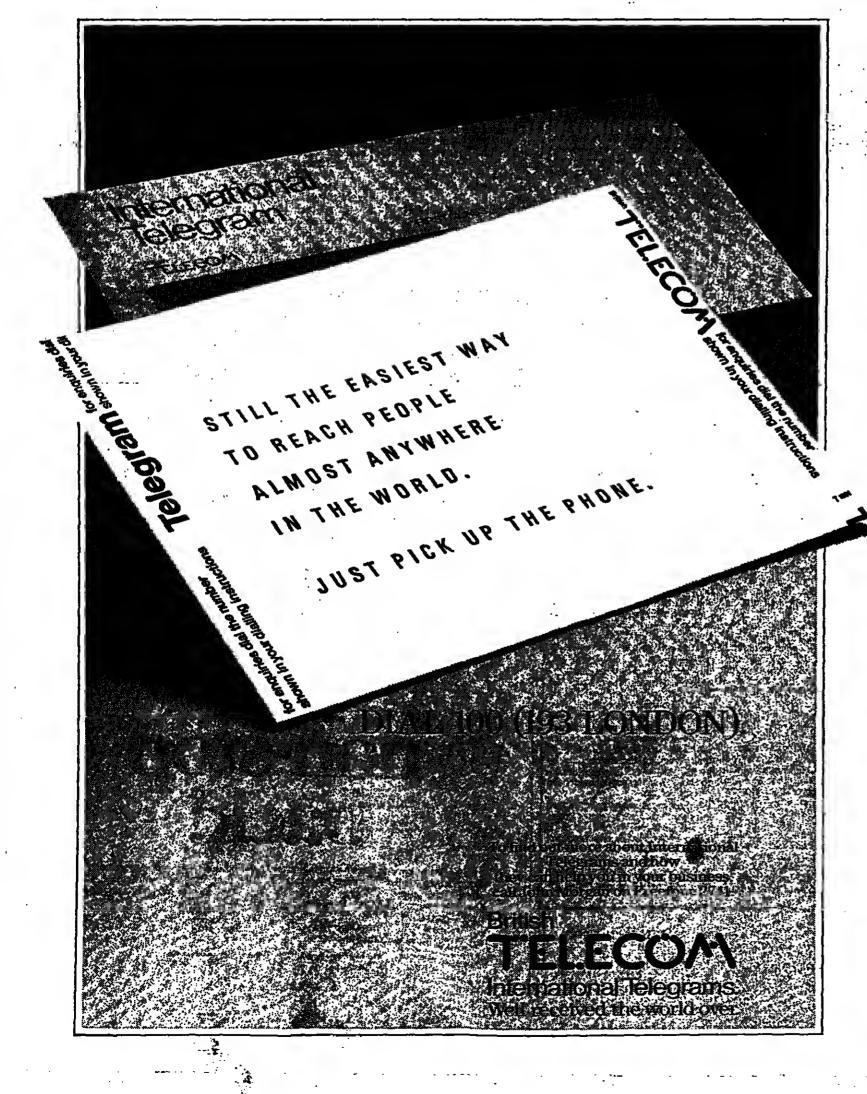
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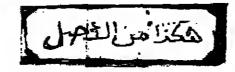
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Japan prepares a new generation of colour televisions

TOKYO – Japan, the world's top exporter of televisions, is working on plans which will send the present engineers in Japan say they will be the key element in the next generation of television sets. generation of television sets to the

industry say today's standard col- to be internationally popular, televiour television sets will be replaced by new ones offering better picture clarity and a host of gimmicks.

The biggest early change is com-mg with digital television sets. These take incoming broadcast signals and convert them into the kind of digital signals computers use to relay information. In this form, the intelligent set can spot ghosting, fuzzy lines and static and remove them, providing a clearer

Digital televisions would turn a home television set into an entirely new entertainment system, said Mr Takehiko Kato, general manager of the Toshiba Corporation's video products division and one of Japan's leading television scientists. Viewers can freeze frames, zoom into close-ups and even run one television channel picture in a small screen in the corner of the main picture to watch two stations

at the same time. At present, digital sets are slightly more expensive than convention-al ones. But once mass production starts they will be cheaper, produced with a handful of large integrated circuits rather than the bundreds of components today'a sets

Aleady in Japan there had been a slowdown in conventional colour television production, and the digital television was starting to take its place, said Mr Kato. In the next five to 10 years, viewers will move thanks to the advance of the micro-from present models to digital tele-circuit. Hattori Seiko is marketing vision much in the same way as a two-inch colour set. they moved from black-and-white

television to colour: Japanese companies are planning near Tokyo. It has a screen as big the next move, to high definition as an Olympic swimming pool and

as good as those in a cinema, and Reuter :

But there is a snag. They use a Engineers in Japan's electronics different system of broadcasting which means that, if they are ever sion stations all over the world will have to re-equip.

The high-definition sets cannot accept the signal sent by the con-ventional broadcasting system because they operate on 1,125 lines. compared with the present 625 lines in Europe and 525 in Japan and the

Japanese television makers, com-peting hard for both home and export markets, bave announced a number of new products.

Mitsuhishi Electric has announced the development of a col-our video printer which can instantly print out the picture on a televi-

ion screen. Mitsubishi already offers a blackand white video printer, but company officials say they are not sure when the colour printers will be available for sale to the public.

Matsushita Electric, maker of products under the National brand says it has devised an experimental three-dimensional television set with a 14-inch screen which pulls together images from five camera

Sanyo and Matsushita have announced flat-screen televisions for hanging on walls like pictures, and Matsushita has an experimental wide-screen colour set which uses digital watches.

Sets are still getting smaller

At the other end of the spectrum comes Japan's largest television, Even as Japan goes digital, some Sony's Jumbotron at a science park elevision. can be watched comfortably from These sets can preduce pictures 200 yards away.

A FINANCIAL TIMES SURVEY

25 MARCH 1985

This proposed Survey on Iran is the first by the Financial Times since 1978, indeed the first by any major international publication since before the

An FT editorial team has recently gone into Iran and will seek to provide our readers with a comprehensive insight into the Iran of 1985 and the prospects for the future.

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Dainippon Screen Mfg. Co., Ltd. Kyoto, Japan

4 % DM Convertible Bearer Bonds of 1979/1967 . - Security Index Number 464 462 -

Adjustment of Conversion Price The Board of Directors adopted the following resolution on

Free share distribution at a ratio of 10:1 to shareholders registered on March 31, 1985 precord date).

As a result of this capital increase the previous conversion price of Yen 653.30 for the convertible bonds will be adjusted in accordance with the Terms of Issue. The conversion price effective from dance with the Terms of Issue. The conversion price effective from April 1, 1935 will be Yen 593.90 per share of Common Stock with a par value of Yen 50.—

Munich, in March 1985

On behalf of Dainippon Screen Mig. Co., Ltd. BAYERISCHE VEREINSBANK Aktiengesellschaft

OVERSEAS NEWS

BY ANATOLE KALETSKY IN GENEVA

A SUICIDE car bomh attack on an Israeli army truck in southern Lebanon yesterday killed at least 10 Israell soldiers and wounded a dozen more. The explosion occurred beside the

border crossing point near the Israeli town of Metulla, David probably including Britain, could follow the U.S. in making cound follow the U.S. In making commitments towards a target of \$1.5bn (£1.4hn) in food and other emergency assistance which Sr Javier Perez de The car was apparently driven by a Shi'lte Moslem fanatic seek-ing revenge for the massive car bomb which killed over go
people in a Shi'ite area of
Beirut on Friday. Yeslerday's
attackers rammed a white Mer-Cuellar, the UN Secretary-General stated over the week-end was needed immediately 10 safeguard the lives of 30m people in the 20 countries most cedes packed with explosives into an open-sided army truck carrying dozens of soldiers. A

critically affected by the famine.
Although the UN conference is not technically a pledging meeting. Mr Bush's presence appears to signal a new high profile approach by the Reagan Administration to the African which may well

the military are worried that they may be facing a spate of almost unstrippeble suicide Various Lebanese factions have warned that they would use car bombs to avenge Israel's fails to report cash deals "iron fist" policy towards the Shl'ttes tiving under Israeli

Cities bombed in Gulf War

occupation in the south

Suicide

kills 10

Israelis

car bomb

Lennon writes from Tel Aviv.

number of nearby vehicles using the crossing-point were set

This is the most serious

Iraq yesterday attacked eight Iranian cities—including Islaban in the interior—with bombs and missiles, as attacks on civilian targets by both sides spiralted, our Foreign Staff writes. Iran said it had raided two targets inside Iraq, inflict-ing heavy damage and casual-

ties. The official Iranian news agency, Irna, put yesterday's death toll from Iraqi attacks at about 130, bringing hte total since last Monday to 525, Bagh-dad was silent on the toll in

Although casualities were light in Isfahan, diplomats in Tebran said the attack increased the likelihood of a further escalation of the war, possibly leading to attacks on both

Iran and Iraq bave ignored a renewed appeal by Sr Javier Perez de Cuellar, the United Nations Secretary General, to halt all attacks nn civilian

Israel inflation fear

Israel could be facing a new upsurge is inflation because an agreement between the Government, unions and employers to control prices and wages is on the verge of disintegration. Mr Gad Ya'acobi, the Minister of yesterday. David Lennon re-

We should be worried by the economic process in which prices are racing away and inflation is liable to rise again. This requires a re-examination of the way the second stage of the package deal is monitored." Mr Ya'acobi said. A "package deal." freezing prices and controlling wages, was reached in November. In February, a second-slage agreement was struck for an eight-month deal,

Constitution revived

Gen Mohammed Zia ul-Hao. Pakistan's President, used his martial law powers vesterday to revive the nation's constitution except for portions dealing with fundamental rights, among other things, AP reports from

"Today is a historic day," said Gen Zia, making the au-nouncement. He suspended the 1973 constitution when he im posed martial law following his 1977, coup against Prime Minis-ter Zulfikar Ali Bhutto.

Mubarak in U.S. President Hosni Mubarak of

Egypt began a visit to the U.S. at the weekend seeking an urgent US\$2bn in financial assistance and Washington's active support for his Middle East peace initiatives, Tony Walker reports from
Mubarak has proposed that the
U.S. first meets a joint
U.S. destinian dele-Walker reports from Cairo. Mi Jordanian-Palestinian delegation which would be followed in the next stage by discussions involving the Israelis, leading eventually to an international conferencet on the Middle East attended by all parties to the dispute. Washington, bowever, has expressed little enthusiasm for the plan.

Thailand clash

Vletnamese troops crossing into Thailand from Cambodia tried to seize a strategic bill in Thai territory on Saturday. triggering a lengthy artillery duel between Vielnamese and Thai forces, AP reports from Banekok.

AN APPEAL

A Lionel Robbins Memorial Fund has been launched to endow an annual lecture series and to provide research scholarships for young post-graduates in conomics, the arts or higher education. £80,000 has been raised so far. Contributions can be sent to (and covenant forms are available from)

The Appeals Office London School of Economics Houghton Street, London WC2

The second secon

Bush expected to pledge more aid to Africa

Bush is expected to promise a major increase in American aid lo Africe today at an emergency conference organ-ised by the United Nations In Geneva to co-ordinate the inter-national response to the un-precedented drought and famine in many parts of the continent.
A number of other countries,

attack on Israell troops in Lebanon to recent months and

BY PAUL TAYLOR IN NEW YORK

to report some international, casb transactions and improperly placed some of its customers on a list which exempted them from the need to report large domestic cash transactions.

The bank said it discovered the errors last month after the Bank of Boston, the 16th largest bank in the U.S., largest bank in the U.S., pleaded guilty to failing to report \$1.2bn in international bank-to-bank cash transactions and was fined \$500,000.

Subsequently the Bank of Boston separately admitted that It had placed businesses domestic cash linked with the alleged leaders reporting requirements.

A SECOND leading bank in of the local Mafia on an exempt Massacbusetts, the Shawmut list. Tomorrow a Senate com-Bank of Boston, has admitted mittee begins the first of a that it had inadvertently failed series of congressional hearing into the Bank of Boston transactions.

tevels. In addition, pressure has been building in Congress and

Mr Bush has just completed

a fact-finding tour of Sudan,

Niger and Mali and he said

in Geneva yesterday that he

would "try to encourage every

The Shawmut Bank, which is the third largest hank in Massachusetts with assets af \$6.5hn, said it bad failed to report \$162m in cash transfers with seven foreign banks since 1980 when U.S. reporting require-ments were extended to cover

cnstomers, including schools, churches, hospitals, airlines and commercial companies, had been incorrectly excluded from domestic cash transaction with the lung term interests of the U.S. economy, and public uneasiness about some of the methods used by Wall Street hid specialists.

Sen Chafee's Bill is partly

the human suffering in Africa, irrespective of the anti-American policies heing pur-sued by some African govern-ments, notably Ethiopia. Other industrialised countries

a more open handed response

country, transcending ideology. to be supportive in this enormous humen tragedy." could also prove more generous than expected, even though the Genva confrence comes so soon after the World Bank's success-The favourable U.S. response to the UN catl has come as something of a surprise, given the Reagen Administration's sceptical epproach to foreign ful appeal for long-term development funds to which France, Italy, Germany and Japan each pledged \$150m or more and to which Britain contributed some £75m.

sceptical epiroach to foreign aid generally and its refusal to participate in a \$1.1bn special fund for long-term development end policy reform in Africa, launched by the World Bank last month. The two appeals are intended to meet quite different types of nds and, although th World Bank undouhtedly henefited in its fund-raising efforts from the public horror about starvation in Ethiopia and elsewhere, its programmes are designed to One explanation for the difference in attitude given hy some development officials is that th UN programme calls for emergency relter, mainly in the form of food shipments, at programmes ere designed to prevent future famines, not to a time when grain surpluses in the U.S. are reeching record offer immediate relief.

By contrast, the \$1.5bn requested by the UN is to be spent on immediate food ship- war," be said.

U.S. VICE-PRESIDENT George result in specific sums of money among the American public for ments (\$1.1bn), basic agriculfertilisers (8185m), drugs and vaccines (\$70m), emergency shelter, clothing and blankets (\$52m), drinking water ;(32m) and logistical support, including trucks and spare parts (\$40m).

Mr Wayne Morse, the newty appointed director of the Office of Emergency Operations in Africe, who is also permanent head of the UN Development Progremme, stressed yesterdey that the humanitarian obligations being eddressed at today's conference are entirety separate from long-term development policies and needs.

Although he believed that the donor countries should continue to raise long-term policy questions through the World Bank, the UNDP and other organisations, the immediate need to save lives had to overrule all other considerations — the 30m people threatened "are more than have been killed in any

Mr K. M. Kangai, the Minis ter of Industry and Tech notogy, has summoned repre

after sbortages of malze meal the country's staple food

Second Massachusetts bank | Bill aims to curb wave of takeovers in U.S.

BY TERRY DODSWORTH IN NEW YORK

A FURTHER legislative attempt cult to launch an unwanted taketo curh the present wave of U.S. corporate takeovers is being made in a Senate Bill that would impose new requirements for shareholder approval, demand greater public dis-closure and withdraw federal tax hrakes.

Introduced by Sen John Chafee, a Republican senator from Rhode Island, the Bill follows a similar proposal in the House of Representatives. such transactions.

In addition the hank said It had discovered that 27 domestic may not be in the long-term

over by insisting that a majority of outside directors of a target company have to approve an offer for more than 20 per cent of its stock. This provision would mean that a recalcitrant hoard would have to be removed by proxy action, taking the issue before all shareholders, before a hid could be launched, greatly slowing down the takeover pro

The new Bill would also try to reduce tax hrakes available to compenies which make bostile bids. For example, "green-mail" payments, under which a hostile hidder is bought out at a price not generally avail-Sen Chafée's Bill is partly able to shareholders, would be designed to make it more diffinon-deductible for tax purposes.

tellism), is betteved to nave been opposed by Fluance Ministry officials, who feat it could jeopardise negotiations with the Internationa Monetary Fund (IMF) for a loan. The Fund is under stood to have been pressing for a major reducation in the government's budget deficit The decision has also johed the confidence of businessmen and could under mine attempts to attract badly needed foreign investment. Barely \$50m (£48m) has been invested since independence in 1980 pendence, in 1980

Zimbabwe

nationalise

By Pattt Waldmeir, recently

THE Zimbabwe Governmen has informed the country privately-owned milling com

panies that they are to be

The move, which could cos

the state some Z\$200n (£113m), is betleved to have

set to

milling

nationalised.

The five campanies involved are: National Foods (it which Dalgety of the UK, the only overseas shareholder only overseas shareholder has a 17 per cent holding). Blue Ribbon Foods (51 percent owned by Zimbabwe's TA Holdings, and 49 per cenby Premier Mills of South Africa), and three smaller concerns — Midlands Milling Triangte Milling and Premier Milling.

notogy, has summoned representatives of the industry to three meetings over the pass fortnight, at which he said that the government intendit to take over the tudustry.

The possibility of nationalisation was first raised in 1982

prompted charges that the mtiling companies were de tiberatety maniputating sup plies in order to drive n



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WORLD TRADE NEWS

UK industry chiefs glimpse the real China

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in the refined flavours of Her cuisine hot peoplers; angomen and ginger

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IF MRS TRATCHER expected ber beavyweight trade mission to China to return to London this week with briefcases bulg-ing with firm orders for Great Britain Ltd, she is about to be

disappointed.

The 10 captains of industry sent out with Lord Young, Minister Without Portfolio, worked overtime during their 10-day trip to Peking, Shanghai

and Canton.

Seven pieces of paper were signed during the trip. But all save one, a £50m-odd dumper truck licensing agreement by Aveling Barford — not even represented on the mission — were expressions of intent or ceremonial declarations of mutual interests rether than concluded contracts. concluded contracts.

concluded contracts.

No one, except perhaps Mrs
Tbatcher berself at the premission briefing she gave the
10, was expecting quick results,
even though there bas been a
big improvement in AngloChinese political relations
following December's agreement to return Hong Kong to
China in 1997.

The best bet a signed

The best bet, a signed memorandum for the sale of British Aerospace 146 jet liners, has not yet come off.

Athens decides

on site for

of the party put their feet up bere yesterday before a final round of meetings in the colony, the feeling was that some real insight had been gained into the Chinese market. Some of the hard-nosed sceptics in the party said they were persuaded that china now presents, possibly for the first time since the Communists won control in 1949. a real trading and investment

opportunity.

If on the business side the mission members rated their expensive visit a auccess, the wider political impact of the tour by Lord Young and his team was less obvious.

The delegation signally failed to get its publicity machine working properly, and stumbled over what became known as the Four Main Doors Incident."

A 100-strong Japanese Cham-ber of Commerce team was in Peking at the same time and was received by Deng Xiaoping, China's paramount leader, in the Great Hall of the People. They marched in through the main entrance in Tiananman Square while the British party was ushered through a aide door for its meeting with Vice Pre-

compound.)

Civil servants accompanying the mission feebly put it out that the Great Hall has no side doors at all — only main doors —so no loss of face had occurred.

Press treatment of the incident ranckled with the mission for days and one of the positive results was lost in the recriminations. This was the British party's declared—and subsequently demonstrated—willingness to enter into technology transfer deals and equity joint ventures, whereas the Japanese, as Premier Zhao told Lord Young, were proving recalcitrant.

Lord Young and Sir Richard

Lord Young and Sir Richard Evans, the British Ambassador, repeatedly pointed out that the mission had interviewed not only the Prime Minister and his deputy but ten other ministers in the course of nearly 100 joint or individual meetings, not to mention nearly 20 banquets.

Some of the chairmen bad never visited China before and learned how difficult it can be to operate in a country where

communications are poor, flights are erratic, interpreters are often laborious and where foreigners are mercilessly pursued for their bard currency.

That did not upset some of That did not upset some of the seasoned hands who accompanied their bosses. The bag carriers, as they are disparagingly known in the Foreign Office, were privetely delighted that VIPs should get some glimpse of the real China.

In the event, mishaps were few. Lord King, chairman of Babcock Shanghai International and British Airways, fell badly on the ice on the Great Wall and then went down with a heavy cold. Mr James Prior, chairman of GEC, was lost by his driver somewhere in Shanghai. One of the cars in the motorcade (at a cost of £50 a day) knocked down a woman in day) knocked down a woman in Shanghai's teeming Nanjing Road. The driver barely waited to see that the unfortunate pedestrian was uninjured before forging ahead.

As the group was whisked by chartered Jetfoil back to garish Hong Kong, Lord Young said be was extremely encouraged by evidence of goodwill towards

mier Li Peng. (They later met regulations change monthly, Britain and by assurances Zhao Ziyang, the Premier, in communications are poor, received about the treatment of the leaders' Forbidden City flights are erratic, interpreters companies which go into equity

The problem of repairleting earnings made inside United was a persistent theme of the mission. Hints were dropped by the authorities, but the official position remains that only hard currency from export sales made by joint venture can be used to reper from export sales used to reper from export sales.

Britain's trade with China is minimal: £317m in exports last year and £279m in imports. That is only 1.4 per cent of China's total external trade. The export figure could leap, this year if the Daya Bay huclear power station in Canton province, for which GFC expects to provide which GEC expects to provide turbines and other equipment worth possibly £500m, reaches the contract stage as hoped in June, when Premier Zhao visits the UK.

It is generally agreed a lot more mao to, the Chinese fire-water, will have to be thrown back before Britain becomes a serious trading partner of China's—and main-door recep-tions become routing.

Leipzig draws more Westerners

BY LESLIE COLFIT IN LEIPZIG

alumina plant The Greek Govarnment has selected the small town of Vounihora, north west of Athans, as the site of a \$450m alumina production plant, to be fair, the largest of its kind, is a magnet this year for Western businessmen and politicians aeeking to put some life into stagnating trade with Comecon built with Soviet assistance, the National Economy Ministry countries.

the West.

announced yesterday. According to the ministry, construction of the plant which is to provide 3,000 jobs will begin before mid-April. Ministry officials said that the plant will boost industrial employment in the little developed track by 50 war part.

area by 50 per cent.

The chosen site is close to the bauxite mines which will pro-vide the raw material for the vide the raw material for the 600,000 tonnes of alumina to be produced annually. About two-thirds of the production will be absorbed by the Soviet Union and the rest by Bulgaria. Mos-cow's share of the cost will be in the form of equipment for the plant

Fin Barre adds from Riyadh: Sandi Arabia and Greece signed a \$200-\$220m deal yesterday for 1m tonnes of crude oil in 1985. Saudi Arabia's Petromin will deliver a 50-50 mix of medium and light crude. Last year the Greeks purchased 1.5m tonnes.

THE LEIPZIG East-West trade The six-day long fair, whose theme is "raw materials, fuel

theme is "raw materials, fuel and energy," was opened yesterday by Herr Erich Honecker, the East German leader.

West Germany's Chamber of Iodustry and Commerce said recently that East Germaey, with its bard currency trada surplus last year of \$1.5hn and, Western bank assets of \$4.2hn, has won back freedom of manoeuvre to allow it to increase badly needed imports of plant and equipment from the West.

Herr Martin Bangemann, West Germany's Economics. Minister, will meet Herr Hone. Minister, will meet Herr Honecker today and will bold talks
bere with Herr Guenter Mittag.
East Germany's economics chief.
A bevy of West German state
economics officials are also in
Leipzig along with the Mayor
of West Berlin to capitalise on
the highest-level contacts
between East and West Germany
since Herr Honecker was forced
to cancel a planned visit to wake of Volkswagen's engine

BY FINN BARRE IN RIYADH

Petroleum. Petromin's governor, Dr Abdul Hadi Taher, told reporters that the refizery which will probably be built by Japan's Chiyoda Petrostar, will

cost \$160m. Construction would take 27 months after signing the

of the Kingdom's banks.

\$40m lube oil blending plant, capable of producing one million barrels per year.

SHIPPING REPORT

Such was the verdict last week of UK shipbrokers E. A. Gibson, which aald business in-

quiry was nowbare near enough to absorb the available tonnage.

"Rate levels," it added, "re-main utterly depressed with no

immediate signs of any external influences to improve the situa-

Demand for tonnage from

Jan. 785 120.0 153.9 182.7 120.6 137.2 136.4 128.1 114.3

Petromin, Mobil to build

Saudi lubricating oil plant

contract.

Financing, which has yet to be finalised, is expected to follow the standard practice of 30 per cent shareholder equity.

60 per cent government loans Malaysia and an unidentified and 10 per cent commercial Arab country as suppliers of loans. The final 10 per cent is liquified petroleum gas (LPG) usually raised by a consortium in an effort to diversify its

of the Kingdom's banks.

Dr Taher also said Petromin officials said, AP-DJ reports also planning to build a from Seoul.

Tanker market 'shows few

THE TANKER market, long demoltion yards in the first two

Kharg island, the Iranian oll serious impact on the finances terminal, has slackened and of many owners who are suffer that for scrap from the Far ing buge losses and are in East has also eased after a imminent danger of founder-flurry of sales by shipowners to

WORLD ECONOMIC INDICATORS

RETAIL PRICES

(1980 = 100)

Dec. '84 119.3 153.1 180.9 120.9 136.4 135.9 127.8 113.2

signs of improvement'

BY ANDREW FISHER, SHIPPING CORRESPONDENT

West Germany last September. Mr Paul Channon, the UK Trade Minister, is paying his first visit to the Leipzig spring fair where more than 100 British companies are represented, UK imports from East Germany bave grown more rapidly than exports in recent years with the result that many British com-panies which once showed interest in the East German market have given up on it

Some 725 West German companies are among the 9,000 exhibiting in Lelpzig. The West German working group for trade with East Germany in West Berlin said a poll of com-panies trading with East Germany showed that most of them expect improved sales this year and next. West German deliveries last year to East Germany fell 6 per cent while East German deliveries rose 9

bave also been built. Shell and the Al Jomaih Group in Riyadh hava started construction on a

private capital lubricating oil blending plant. Shell Oil was

at one time trying to interest Petromin in adding e lubri-cating oil unit to the joint

liquified petroleum gas (LPG) in an effort to diversify its

a special meeting in Hong Kong that efforts to boost world scrap-

ping rates must be intensified. In dry cargo markets, Mathe

son (Chartering) said some sea-sonal expansion in activity and

a rise in rates was likely over the next few months. But the year had begun on a weak note, It noted, "a marginal im-provement of say 10 or 15 per cent is not likely to have any

Jan. '84 117,5 144,5 167,4 117,2 130,6 134,0 123,7 110,6

Nov. '8 119.2 152.8 179.8 121.0 136.1 136.8 127.7 113.0

% change over previous year 2.1 4.5 9.1 2.4 5.0 5.0 3.4 3.3

licencing deal with East Germany. The working group said East Germany is stepping up invest-ments to modernise its metal-lurgical, chemicals and con-sumer goods industries.

The group noted however, that West German companies reported growing competition from offer Western companies on the East German market. Concerns from Japan, Italy, Sweden, Austria and France frequently mentioned.

 A new study of East-West German trade by the German Institute of Economic Research (DIW) said the growth in East German deliveries to West Germany in recent years was not the result of improved competitiveness of East German goods. Instead it noted prices for East German all products for East German oil products had increased and resulted in DM 6bn (£1.6bo) in additional East German exports to West Germany between 1973 and

Sales of East German machinery in West Germany, however, fell from 10 per cent of total sales in the 1950s to only 2.5 per cent last year, it said.

Taiwan plans

\$32.6bn power

plained foreign purchases in-clude a pair of 1,000 Mw nuclear generators worth \$2bn, four 550 Mw coal-fired steam

turbine generators worth ebout \$1bn, and six 267 Mw turbine generators worth \$250m, for a

investments

By Robert King in Taipei

Talbot seeks resumption of Iran car kits accord

By Terry Povey

TALBOT UK has sent one of ralbot. UK has sent one of its senior executives to Iran in an attempt to finalise an oil for knock-down kits barter deal to cover the company's fl30m-a-year contract. From today, however, more than 1,000 production workers at Talbot's Suke plant will be on the dole as government guaranteed payments covering their earnings stopped at the weekend.

Both Iran Khodrow, the state-owned company which assembles the kits in Iran, and Talbot remain convinced and Talbot remain convinced that the signing of an overall contract between the four parties immediately involved the two car-makers, the National Iranian Oil Company and an oil trader—is only days away.

only days away.

However, the volatility of the oil market and the complexity of such four-way arrangements has persuaded Talbot not to gamble on an early resumption of production.

That is why it will leave its workforce at Stoke laid-off rather, than take on the responsibility for what one executive estimated was film executive estimated was £1m a week in costs,

oil company Petromin, and Mobil have had a long relationship. The had a long relationship. The first lubrication oils plant, they will build a 1.5m barrel a Lubrication oils plant, in Yanbu on the Red Sea.

The plant will be owned and opearted by Petromin Lubricating oils e year.

There is also a Indicating of that amount will go for oils e year.

There is also a Indicating to Mr David Cheng, Taipower's vice-president, Petroleum, Petromin's governor. Talbot last shipped kits to Irah at the end of November and halted deliveries as payments had stopped coming through. Iran has experienced repeated foreign exchange shortages over the last year and there has also been an ongoing debate over the future of the

On February 9 Talbot laid off 1,050 of the 1,600 production workers involved in the Iran contract. For the first four weeks the Export Credits Guarantee scheme covered 90

pumped-storage project. Taipower also expects to spend \$3.5bn on nuclear fuel, and another \$1.2bn on equipment for transmission and distribution systems.

During the 10-year period

the Government may also approve construction of another sources or imported LPG, officials said, AP-DJ reports from Scoul.

At present, Saudi Arabia is South Korea's only source of LPG.

The projects are part of an ongoing plan by the Government ntility to maintain sufficient capacity for Taiwan'e growing power needs

Taipower aiready has bix nuclear units either operating or under construction. The seventh and eighth units, originally scheduled for ground-breaking two years ago, now form the subject of an intense Parliamentary debate 16-year-old arrangement with

per cent of average earnings but now this cover has lapsed. Talbot's production workforce is about 3,000 with the rest assembling cars for sale in the UK at the Ryton plant. Tal-bot is a subsidiary of Peugeot of France and has recorded a

net profit in only one year out of the last ten.

As a result of continued production after the suspension of shipments considerable stocks of the kits exist. At present there are 11,000 kits on the wharf et Newport—about one sixth of last years shipped total. A further 9,000 kits are stored at Stoke, Irah

Rhodrow is believed to have only enough car kits to con-tinue until the end of April and it takes almost two months to deliver a load, factory door to factory door.

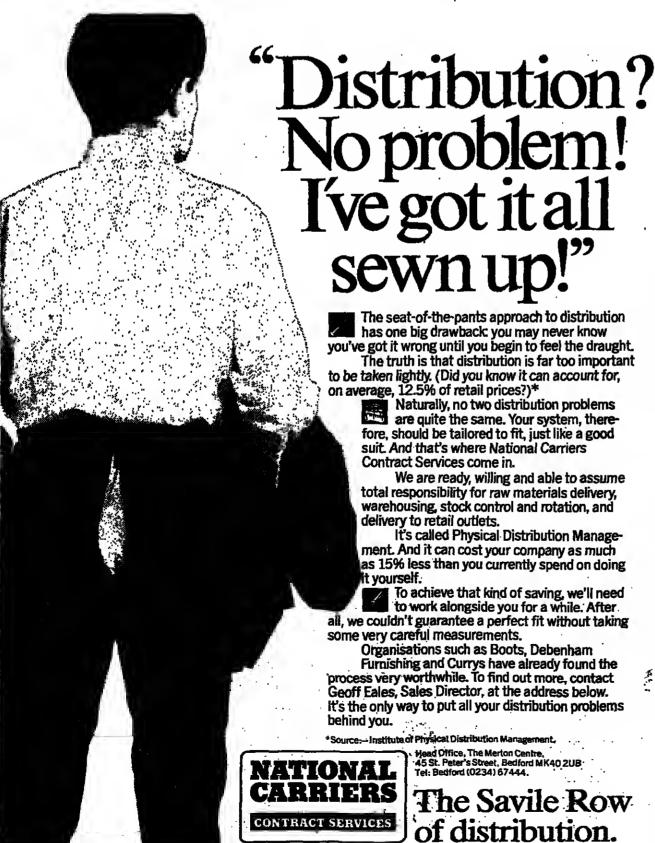
used to crisis as a result of the mouths of this year. For the chronic tonnage surplus which longer term, bowever, last week followed the 1970s oil crises, is saw agreement from ahippoing through traumatic times. Can You Remember The Details of Your **Business Conversation?** Do you have proof of Verbal Commitment? VANGEREAD can provide protection and proof of every business personal conversation with: • Briefcase recorders • Micro miniature pocket recorders Super long 24 hour recorders A British Telecom Approved telephone record VANCEREAD 62 South Andley St. London W1 (01) 629-0223 Teles: 8814709-

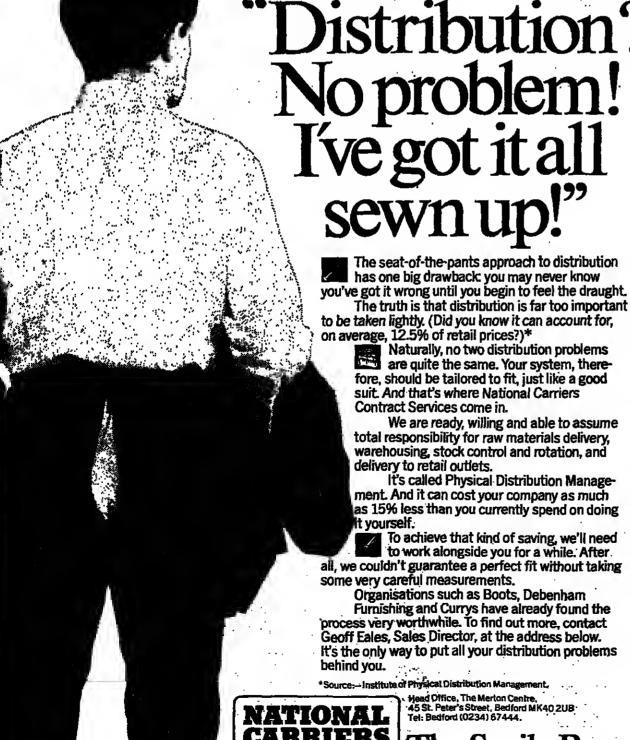
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UK NEWS

Employers call for elimination of investment obstacles IN ABOUT two months' time, Sir Kenneth Berrill will move into temporary accommodation in the Bank

BY LYNTON McLAIN

nology will be restricted and its living standards decline if manufacturing output continues to fall, the Engineering Employers' Federation (EEF) says in a memorandum to a House of Lorde compittee output competition when the same competition are supported in the problems of competition to the problems of comp House of Lords committee pub- from Japan.

lished today.

It urges the Government to take action to remove obstacles which discourage commercial investment in longer-term projects and ad-

vanced technology.

Action is required in seven areas, according to the federation.

Government industrial policy should concentrate primarily on in-digenous not imported skills. Where government support is given, it should involve companies already established in the UK.

industrial research and develop-

turing capacity.

The fiscal bias in favour of short-

term projects should be eliminated or reversed. "One major reform required is the restoration of 100 per The lead times and perceived risks cent allowances against corporation of major advanced technology procent allowances against corporation tax for fixed investment expenditive at a time when the economy is

panies cannot compete for these projects without government back-

THE UK'S access to advanced tech-

The EEF represents 5,000 engineering companies employing about 1m people, but the manufacturing sector in the UK "has lost competitiveness against the food, drink, tobacco and services sectors," the federation says in its note to the Lords' overseas trade select

North Sea oil was another rea for the UK trade deficit in manufactured products. "Market forces will in due course lead to a reversal of the non-oil deficit as oil production There should be a substantial increase in government assistance for volume of relatively low value production. ucts will need to be exported to pay for imports of relatively high value Government industrial support should concentrate on the development of technological expertise, not purely on the volume of manufacturing annexity. wards UK dependence on low-technology and commodity prod-

Market forces alone "cannot ensure success," the federation says. thre," the EEF says.

Increased government support is required for export projects. Foreign competitors receive supports from their governments. UK comprojects at the expense of the long-projects at the long-projects at the expense of the long-pr

action unless there is a commercial The Government should support advantage in doing so. At present several features of the economic neering against the effects of formulation of the effects of the economic and fiscal environment tend to discourage commercial investment in eign protectionism and foreign government support for engineering.

The Government should continue to encourage and support volun-

A policeman for the London financial community

of England's New Change building

and begin setting up the new Secu-rities and Investments Board, the watchdog body that will carry the main responsibility for policing the financial markets under the Government's proposed investor protection legislation.

Sir Kenneth's brief as chairmandesignate will be to set up the SIB as a fully operational body by the time the new financial services legislation becomes enacted, around the end of next year. About the same time, new rules for the operation of the London Stock Ex-

hange will also come into force. One other appointment has been made, that of Mr Martin Jacomb, a vice-chairman of merchant bankers Kleinwort Benson, as part-time

deputy chairman of the SIB. An eventual board of 10 or 12 is envisaged, all part-time except Sir Kenneth. They will include practi-tioners from the City of London but also a number of lay representa-

Asked yesterday to define his role, Sir Kenneth said he aimed to help to create a system of regula-tion of a kind that would suit London's markets. The job really is to help London to contioue to expand as the major financial centre in our time zone in the period ahead, when competition for international business gets stronger by the

month," he said. Although be accepted the police-man's role, he considered that his priorities ought to be preventative rather than investigative.

"I will be protecting investors, yes, although if the system is well set up, competition will do a great deal of protection, especially when you are a professional investor as distinct from a small investor." Sir Kenneth observed.

In the initial stages, Sir Kenneth will rely on personnel seconded member of the Lloyd's Council, bodies working on the from the Bank of England, but it is which he has held since 1982. He cause it is a buge job.

Barry Riley looks at the task of establishing

a Securities and Investments Board in the City of London.

his intention to recruit his own executive team.

"We will start with a small group of people whom, I would hope, I could get seconded from a range of City institutions. I would hope that they would regard a couple of years in this new organisation as being an attractive thing to do."

an attractive iming to do.

He indicated that he would be looking for young people, with the early 30s as a centre point. Meanwhile, the SIB is intended to have its own independent premises in due course.

For the next two months, Sir Kenneth will be extricating himself from various existing commitments, which include the chairman-ship of Stockbrokers Vickers da Costa (now part of the Citicorp group), several company directorships and the deputy chairmanship of the Universities Superannuation

Scheme, a part that carries investment responsibilities.
Although Sir Kenneth's salary and precise terms of employment chairman. have not yet been worked out, he is clear that he must be seen to be un-

profit performance of any particular financial institution," be said.

He also stated his intention of probably be restricted largely to the only member of the SIB to be restricted in that way.

The only outside job he might re-

said it was not clear to him that it was inappropriate, although it would have to be given further

"I think I have learned a lot on the Lloyd's Council of a regulatory kind," Sir Kenneth observed. "Fin me, the last few years oo the Lloyd's Council have been the most immediately valuable experience

for this job."
At Lloyd's he had learned a lot about the difficulties of actually processing cases, including the dif-ficulties of organisations and

accounting systems.

Sir Kenneth emphasised that he bad only very recently become involved in the development of a new regulatory framework for the financial markets, unlike his deputy, Mr Jacomb, who through responsibilities at the Takeover Panel and the Council for the Secu-

rities Industry had been closely in-volved in the formation of policy over the past few months.

Accordingly, Sir Kenneth said he needed more time to think about the precise structure of the SIB executive. "There may be a chief ex-

ecutive, there may not," be said.
"But I am going to be the executive He also declined to comment on matters such as the future of the

involved financially with any of the institutions with which he will be body, the Marketing of Investments dealing.

"If I am going to do this job, I body, the Marketing of Investments must not have an interest in the Board, which will regulate pooled must not have an interest nation investment products such as life asinvestment products such as life assurance plans and unit trusts.
He denied, however, that there

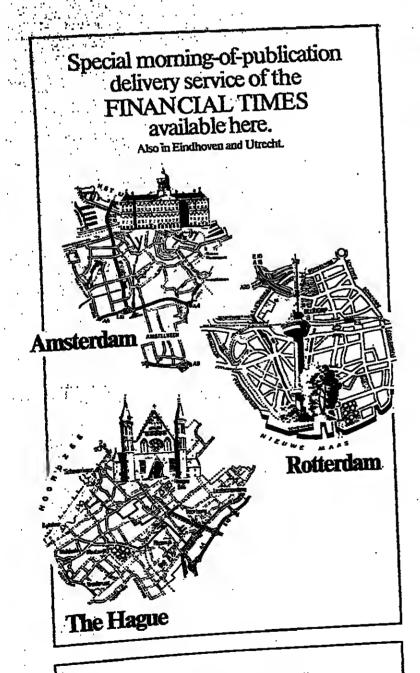
giving up personal dealing in any was a case for an immediate merg-active way. His investments would er of the SIB and the MIB, as is being proposed by several important fixed-interest paper, investment organisations such as the Unit trusts and similar assets. He env. Trust Association and the National organisations such as the Unit isaged, however, that be would be Association of Securities Dealers

After looking at the proposed workload for the next year or so, he tain would be his position as a lay member of the Lloyd's Council, bodies working on the problem be-

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British Telecom Decline in set to go public with System X

BY JASON CRISP

opment involving considerable con-troversy and delays System X - the British family of advanced digital telephone exchanges - is dua to go into public service at the end of

Over the next few days British Telecom engineers will be running the final tests on the first production System X local exchange to go

British Telecom (BT) has spent about £325m on the development of System X and the two manufacturers, Piessey and GEC Telecommu-nications, have also made substan-tial investments in production ca-

If System X is as successful as BT claims it will be, then the two manufacturers will have a somewhat better chance in the increasingly difficult task of selling telephone exchanges overseas.

The installation of System X will also be a vital step in BT's stated intentioo to give the UK one of the hest telephone systems in the world by the end of the decade. It is more economic for BT to modernise the

AFTER more than 10 years' devel- UK's antiquated network with sophisticated digital exchanges quick-ly than for countries with much more modern but analogue equipment such as the U.S., Japan and West Germany.

> smaller and much more reliable than anything else in the network including TXF4 which is at present being installed. It will enable BT to offer new services and facilities particularly to business, and will mark the next stage in the con-struction of an integrated digital telephone network in Britain.

System X is also of considerable importance to Plessey and GEC each of which have orders for around £220m at the moment. Unlike previous arrangements for exchange ordering, the two compa nies are in competition. "I think the orders will be split about 50/50," comments Mr Chris Wells, analyst at de Zoete & Bevan.

"Provided the final developmen hurdles are overcome and the suppliers move into full production quickly, I think System X will be a great success for both the custome

office space for letting

THE AMOUNT of office floorsp available for letting in Britain fell during the second half of 1984 - the first recorded decline since 1981, according to Hillier Parker, the estate

Hillier Parker's findings support the view that office markets around the country have been slowly reviving and that London has been the major beneficiary in the fresh wave of demand from occupiers.

In spite of the improvement which appears to have been main-tained in the first quarter of 1985, there is still only limited evidence of any significant upturn in rental levels. Only in the City of London and, to a lesser extent, in the West End of London have rents shown any growth.

Hillier Parker points out that the increase in tenant demand has been most noticeable in the market for existing buildings, where lettings have been running ahead of the level of space becoming avail-able. In contrast, the level of lettings involving new developments

FT SURVEY OF INDEPENDENT FORECASTERS

Economy expected to grow 3%

FT AVERAGE OF FORECASTS

BY MAX WILKINSON, ECONOMICS CORRESPONDENT

THE STEEP rise in interest rates in January is unlikely to prevent the UK economy from growing by 3 per cent this year, most independent

conomists believe.
An FT survey of 19 independent forecasting and City of London organisations shows that the average prediction is for 3 per cent growth in 1985, unchanged from the aver-age prediction in November.

Although most forecasters are now more pessimistic about interest rates and inflation for this year, they have become substantially more optimistic about trader perfor mance in the current year.

In November, tha FT average of forecasts pointed to export growth of 4% per cent this year with im-

ports growing by about 4% per cent.

Now the depreciation of sterling
is generally expected to give a help
to exports which are expected to grow by 5% per cent. Some fore-casters, including the London Busi-ness School's Centre for Economic Forecasting, believe that exports will grow by more than 7 per cent, while the consensus in the City is for growth of about 6 per cent.

Imports are now expected to grow at a rather slower pace after three years of recovery during which they have risen by 20 per fell marginally in the second half of cent, or just over the rate of ex-1984, although they remained well ports. For 1985, the FT average of up on lettings achieved in 1983. vember. But the average prediction for inflation by the fourth quarter of this year has only risen from 5.1

to 5.4 per cent now. This may partly reflect the fact that the independent forecasters Retail prices |4th Otr) 23 the outlook for inflation. The Na-tional Institute of Economic and So-(1975 = 100) of this year.

rather slower rate of about 3% per

cluding the Confederation of British Industry, remain optimistic about the outlook for trade in 1986, with export growth projected at 5 per

The forecasters believe that there will be only a small inflationary penalty this year from sterling's rester-than expected depreciation n recent months.

They are now expecting the Sterling Index (measured against a trade weighted basket of currencies) to average about 71.6 this year (1975 = 100). This is 9 per cent below the consensus forecast in No-ployment at 3m.

per cent in the November forecasts

were significantly more pessimistic last year than the Treasury about cial Research remains the most pessimistic about inflation, with a prediction of 6% per cent by the end

Next year, the consensus is that inflation will fall, with the FT aver-4% per cent. In 1986 imports and exports are both expected to grow at a fourth quarter of 1986. Only one of the 19 forecasters surveyed this time (broker Wood Mackenzie) is expecting inflation to accelerate in

> On the other hand, all but two forecasters expect unemployment to continue to rise in 1986. The London Business School is predicting an easing of unemployment by 64,000 between the fourth quarters of 1985 and 1986 (to 3.09m adults,

> Liverpool University remains the most consistently optimistic about inflation and unemployment. By

Coal stock renewal cost plan may push up power bill

BY IAN HARGREAVES

building coal stocks after the end of dies to the coal board.

the miners' strike. dustry it wants power station coal stocks rebuilt to a similar level to those available at the start of winer 1983, before the miners' strike began. That is in case hostilities

break out afresh. Stocks would then be more than 33m tonnes, compared with a nor-mal level of 18m to 20 tonnes. The last official figures showed that stocks had fallen to 14.4m tonnes at the end of the year. They are now probably between 10m and 12m

The Central Electricity Generating Board (CEGB) expects to re-build its stocks quite rapidly in the next few weeks, as most of the 20m tonnes of coal trapped at pitheads during the strike is moved to the

ry the heavy cost of holding stocks beyond its normal commercial levels. To hold an additional 12m tonnes of coal at the power stations would cost around £500m.

it would add 6 per cent to prices, in addition to any increase to cover inflation. The electricity industry is committed to holding annual tariff increases below the level of general inflation in an artificial section.

ELECTRICITY consumers might be ment of a proportion of power sta faced with an additional 5 to 7 per-centage points on their bills next coal remained the property of the spring if the electricity supply in-coal board and its financing cost dustry has to carry the cost of re-dustry has to carry the cost of re-

Now, however, the Government is The Government has told the in-lustry it wants power station coal profitable electricity industry should carry the cost, passing on

In 1985-86, the electricity industry is to repay £1.1bn to the Govern-ment in negative external financing limit (EFL). If consumers are to be protected from stock building costs, the Government will have to reduce that negative EFL by about £800m.

Such an adjustment to the industry's EFL would not have to be announced. This year, similarly, electricity because of the costs of the strike will fail to make its anticipated £740m negative EFL payment, which has been covered by the Govment's contingency fund.

It is not now expected that the The industry has told the Government that it does not expect to carelectricity bills or by adding value added tax to fuel bills, but the Trea--sury sees the stock building cost as nething it can recoup from the

EXI

FESTAR

Con

inflation in an attempt to gain com- nounced price increases of 4.5 per petitive ground against gas.

During the last build-up of stocks,
in 1982-83, there was an unpublities consumer council to expect 5 per cent and 4 per cent respectively. cised agreement by the Govern-cent, and London consumers can ment for the CEGB to defer pay-expect an increase below 3 per cent.

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ABBEY NATIONAL HIGHER INTEREST ACCOUNT

Lignite may produce 'cheapest electricity'

BY OUR BELFAST CORRESPONDENT

ECONOMIC ADVISERS to the Gov- costly to produce in Northern Irethern Ireland could have the cheapest electricity in the UK because of imported oil. Huge government subthe discovery of large reserves of sidies are needed to keep electricity lignite, or brown coal.

land Economic Council, an independent advisory body, estimates that view of the Northern Ireland Eleclignite could boost the region's GDP tricity Service that the most effecby 1.2 per cent in the long term and tive use of lignite would be to burn cut £45m off the annual bill for im- it in a raw state at a purpose-built

Recoverable reserves of lignite at mined. Crumlin, County Antrim, are estimated at 420m tonnes. Other sub-stantial reserves, which could which are at present coal-fired. Test stantial reserves, which could which are at present coal-fired. Test amount to as much again, are burning of lignite began last week known to exist at four other areas. at Belfast West power stations to Tests have shown the lignite to be a see if it can be used without costly relatively clean fuel with a low sulphur content and with a calorific value about half that of coal.

Sir Charles Carter, the council chairman, said Northern Ireland might eventually generate the Mining Investment Corporation cheapest electricity in the UK. It and Northern Strip Mining. The would depend on having the majority of generating capacity based on serves could last for 60 years, raw lignite in purpose-built sta-

enment have forecast that Nor- land than elsewhere in the country because of a heavy dependence oo tariffs on a per with the highest in A report from the Northern Ire- the rest of Britain.

The council's report echoes the

adaptation of the existing plant.

The Crumlin reserves are being exploited by Burnett & Hallam-sham, the Sheffield-based mining group, through its subsidiaries,

VDU health problems widespread, union says

BY DAVID GOODHART

ONE of the most comprehensive reports so far on the health hazards to the first survey said complaints white-collar union, Apex. 74 per
Using the results of three sepaBCal.

rate surveys of union members the report sets out to show that the dence of an increased oumber of health problems are widespread. The first survey was conducted among staff representatives covering about 4,500 members; 64 per the respondents could recall radia-

cent said they had received complaints from members suffering from headaches as a result of using VDUs with unsuitable lighting. A more specific survey of 150 in-dividuals in the revenue accounts department of British Airways and the reservations department of British Caledonian (BCal) found

spectively suffered from headaches. A Midlands area survey reported 52 per cent affected by headaches.

ports so far on the nearth nazarus associated with Visual Display Units (VDUs) is published today by the white-collar union, Apex. miscarriages among VDU opera-

rashes. It also states that none of

tion checks on the equipm Mr David Rice, an Apex official and author of the report, said the results would provide Apex mem-bers with a chance to challenge em-ployers who had bad health and safety provisions.

"However the main purpose is to that 77 per cent and 75 per cent re-demonstrate that health and safety hazards do exist and office staff are suffering from operating VDUs," he

Ford boosts truck sales

BY JOHN GRIFFITHS

The chief reason appears to have been the ending by Ford on the last day of the month of a six-month incentives campaign on its Cargo truck range. The result was a more than doubling of Ford's heavy truck sales in February to 1,472, from 725

variety of specification improve-

HEAVY COMMERCIAL vehicle sticking to its forecast that heavy sales jumped 21.1 per cent last truck sales this year will show only month compared with the same pemodest growth, to about 55,000 my modest growth, to about 55,000 units compared with 52,821 last year.

Statistics from the Society of Motor Manufacturers and Traders show that heavy truck sales last month totalled 5,177, up from 4,274

For the first two months of the year, the sector's sales are running 17.8 per cent ahead, at 9,540 units ared with 8,353 in the same pe-

TECHNOLOGY

EUROPEAN COMPANIES BACK £20m PLAN FOR ADVANCED RESEARCH CENTRE The shape of computers to come

BY TONY DURHAM

MORE THAN 30 European companies and universities have set aside their rivalries to hack a proposed £20m centre for research on the shape of companies already been asked to beginning of 1986," said Mr second) to travel one metre. That is quite a long one metre. That is quite a long one metre. That is quite a long one metre.

together 64 powerful computers on a single site, where European vital but still-mysterious art of making 10, 100 or 1,000 computing engines work together as a single, very powerful machine.

"Parallel processing" is the term computer scientists use to describe this kind of computing.

The computer industry sees

describe this kind of computing. The computer industry sees parallel processing as a way to meet the massive projected computing needs of defence, weather forecasting, scientific research, engineering design and "artificial intelligence" in the 1990s.

Working closely with the UK-Norwegian combine Racal-Norsk, Dr Philip Treleaven of Reading University, has submit-Reading University, has submit-ted the proposal to Esprit, tha

A batch of 80 letters brought back positive responses from more than 30 organisations including GEC, Philips, Matra, British Telecom, Bull, Hewlett Packard and West Germany's

research on the shape of communities to come.

The idea is to connect to committee was asked to look to committee was asked to look

European Community's programme of research in advanced information technology. The plan is on the agenda for the March 12 meeting of the Esprit instead of the usual 50 per cent. usual Eprit rules it would lose its openness," said Mr Lewis.

Supporters of the scheme, which would cost Ecu 24m over three years, say that it offers exceptional value for money and will save the cost of build-

with the Americans," he added.
"The Americans are looking to build machines which are 10,000 times as powerful as the new IBM machine."

Since individual microchips cannot be made to run 10,000 times faster, computer scientists pin their hopes on making more chips work on the sama problem at once. The biggest bottleneck in conventional computers is often the central processor, the part of the machine computer. Simulation tests now metic, logic and control functions.

bright ideas in parallel computing. "Intellectually Europe has probably got more and better ideas than anyone else," said Mr Lewis, but he pointed out that Europe lacks a versatils testbed for trying them out.

He and Dr Treleaven believe there is an urgent need for an experimental machine which handles most of the arithmetic, logic and control funcmetic, logic and control func- mistakes later.

Processors used to be expensive so a computer only had one. Silicon technology has can consider using 64 powerful processors or as many as 100,000 very simple ones in a single machine.

Any computer can be programmed to imitata a parallel machine, but it is hard to judge the effect of these timing problems unless the machine processors or as many as 100,000 separate processors.

Any computer can be programmed to imitata a parallel machine, but it is hard to judge the effect of these timing problems unless the machine processors.

Any computer can be programmed to imitata a parallel machine, but it is hard to judge the effect of these timing problems unless the machine.

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Any computer can be programmed to imitata a parallel machine, but it is hard to judge the effect of these timing problems unless the machine are problems

Lewis. one metre. That is quite a long "It's really simed at helping time in electronics.

European companies compete There is no shortage of with the Americans," he added. bright ideas in parallel com-

Any computer can be pro-

changed this. Now designers can consider using 64 powerful processors or as many as 100,000 very simple ones in a single machine.

But, as when a company expands its workforce, adding processors brings problems of management and communication.

Communication is particularly important the processors must communicate if they are to co-operate. The danger is that they could waste much of their time waiting for messages to arrive from distant in other words, they can be

messages to arrive from distant In other words, they can be



Engineering design systems is one sector which will need the application of parallel com-puting to cope with the expected growth in complexity

built from a lot of simple pro-cessors or a few very compli-cated ones. The processors can be connected one to another in a straight line, a ring, a net-like grid, a branching tree, or gramming languages.

New languages and program-

in more exotic patterns including one called a hypercube.

Then there is the question
of memory. Should each processor have its own "local"
memory? Should they all share
a "global" memory? Or should
there be a blend of both kinds?
Dr Treleaven maintains that
guestions like these cannot be questions like these cannot be separated from another deci-

New languages and program-ming mathods may be needed. The bope is that programmers working in the new languages will naturally find themselves writing programs that suit a parallel machine. Among tha programming styles on offer are logic programming (repre-sented by the language Prolog), functional programming (claim-

ing descent from Lisp) and object-oriented programming (as. seen in Smalltalk and Simula).

EDITED BY ALAN CANE

Today's such as the Cray XMP are designed mainly for scientific applications where relatively simple calculations are performed over and over again. They are ill-equipped to handle language, reasoning and the aclving of problems in the messy world of buman affairs. Japan's "supercomputer" project is quite separate from its "fifth generation" project.

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But Dr Treleaven believes Europe could gain by bringing research on "numeric" (super-computing) and "symbolic" (fifth generation) computing together, arguing that the basic problems of parallel com-

puting are common to both.

Mr Lewis points out that weather forecasters, who al-ready use powerful numeric computers, could begin to use symbolic computing to in-terpret the masses of weather data. Forecasters might not data. Forecasters might not be so keen on the idea of letting a computer do "their" part of tha job.

For Racal-Norsk, a go-ahead

from Esprit could mean an £8m order for 64 of the company's KPS processors and associated hardware. Tha KPS is a version of Norsk Data's ND500 32-bit computer, adapted for artificial intelligence work. Norsk is based in Norway, but

the link with the British elec-tronics group Racal gives it a foothold in a European Community country.

The alternative would be to buy American, since no other European company has a machine like the KPS and the necessary hardware to wire 64 of them together. But it is not yet clear how much additional programming would be needed to make the 64 computers work harmoniously together.

COMPUTER INDUSTRY

Explosive growth

THE EXPLOSIVE growth of the computer industry is reflected in the way The Com-puter Users' Year Book, its bible, has increased in size year

For the 1985 edition, there bave been a number of major changes the most radical of which is its division into two volumes, the first covering tech-nical information, hardware and supplies, the other dealing with

computing services.
In all the two volumes total nearly two thousand pages of closely written information about the UK computer

The publishers have also invested time and effort in making the new edition easier to use—so destroying at a stroke the careers of those whose chief business asset was the ability to find their way grammers who went around the earlier editions. Il.440 to £13,167, as There is, for instance, a of over 15 per cent.

geographical location coding system which makes it possible to locate a supplier in any of 15 regions of the UK defined by post code areas.

Analysis of the product list-ings shows a 72 per cent increase in local area networks featured and a 27 per cent increase in the number of micros and mainframes listed bringing the total to 600,

The salary statistics show that the national medium salary for a data processing manager was £14,333 in March 1984, compared with £13,727 in April 1983, an increase of 4.41 per

Most data processing staff achieved salary increases of between one and ten per cent in the same period with the exception of chief snalvst programmers who went up from £11,440 to £13,167, an increase

RESEARCH INTO SPEECH

Communication prize

TWO researchers have won a major industrial prize for their work into speech analysis and speech transmission. Dr James Flanagan of AT & T's Bell Laboratories and Professor Gunnar Fant at Stockholm's Royal Technical University have been awarded the LM Ericsson Prize for contributions to telecommunications.

The prize was first awarded nine years ago to celebrate the Swedish company's 100th anniversary. The SKr 250,000 award is now made every three years.

Dr Flanagan and Professor Fant have both been involved in the production of models of human speech and analysing them. Their theoretical work has led to the rapid development of commercial products for speech coding. This is that conversion of speech to special signalling forms for digital communications.

Other products have been in speech recognition and generaspeech recognition and genera-tions for applications such as teaching deaf children to speak and enabling blind people to operate telephone switchboards. Their research is also impor-tant to the future of speech based man/machine communi-cations such as between humans

ani computers.

Dr Flanagan's contributions to research include the development of models for speech perception and the ear's signal processing, development of digital coding systems and speech production methods.

Professor Fant has introduced scientific methods to phonetics, carried out theoreti-

duced scienum methods to phonetics, carried out theoreti-cal and experiment studies of the methods of speech produc-tion and applied quantitive ex-perimental methods in phone-tics and linguistics. tics and linguistics.
The prizes will be awarded in Stockholm on May 6.

AUTOMOTIVE COMPONENTS

Sensing the change in car engines

A relatively unknown company bas managed to win a large order for the supply of advanced technology components as part of an electronic engine control system from British Leyland.

Lamerholm Fleming is a 10 year old company which specialises in transducers called piezoelectric accelerometers. These are sensors which detect these are sensors which detect ribrations by producing an effective signal which can be fed for analysis into a computer.

It is producing 1,000 trans.

It is producing 1,000 transducers a day to supply BL's
needs for the engine management system for its Montego
model. BL had developed most
of the computer engine control
but could not find a suitable
suplier for a sensor which could
measure the shock signal in the measure the shock signal in the engine block when an engine

Modern high performance engines need electronics to ensure that the ignition timing spark advance and compression tare operating correctly because the engine is oormally working the limits of its personal transfer the limits of its personal targets. near the limits of its per-formance. Sensors ensure that the car's engine does not extend the limit, help improve ceed the limit, help improve to BL and Maserati is also going to instal sensors in its models.

tionally, sensors such as Eventually, cars could contain accelerometers have been expansive with some devices factors as crank angles and factors as crank angles and cosung as much as £300 each. pressure. This was because they were a

BL contract.
The company developed its The company developed its own production technology and much of the manufacturing and test equipment to ensure that assembly is simple and efficient. There are few rejected components despite stringent tests and this helps to keep costs down.

Inside each sensor are two tiny rings made of a plezo-electric ceramic called lead zirconium titanate. These form the active part of the sensor producing an electrical signal when under the action of an applied force.

Lamerholm has delivered more than 140,000 transducers engioe against damage.

Finding suitable sensors at nology to companies in the U.S. low cost is not easy. Traditionally, sensors such as Eventually, cars could contain ELAINE WILLIAMS

Lloyds Bank Pk. 71 Lombard Street, London EC3P 3RS.

Lloyds Bank 1984 Results



Extracts from the statement of Sir Jeremy Morse, Chairman, Lloyds Bank Plc, in the 1984 Report and Acrounts, to be published on 4 April 1985.

In 1984 Group profits before provisions and taxes were £737m, 16% up on the previous year. Pre-tax profits, after provisions for bad and doubtful debts of £269m, were 12% up at £468m. Post-tax profits were 17% down at £237m.

The dividend for the year will be 26.5p on the capital enlarged by last year's I for 5 issue, an effective increase of 12%. This year we are proposing a I for 2 bonus issue to capitalise reserves and to bring the share price more within reach of the small investor.

These are encouraging results, given that we are still in the trough of the banking cycle, a trough which has been extended over nearly three years as the great inflation of the 1970s slowly subsides.

The welcome recovery we have seen to an average growth rate of abour 3% in the major economies has done more for prosperous sectors and companies around the world than for those in difficulties. Hence our need to continue making provisions at an exceptionally high level for the third year running.

We will continue to devote our skills to managing the remaining problems, by ourselves or with other banks in the case of corporate debt, and in a larger co-operation with governments, central banks and the International Monetary Fund in the case of country debt.

During 1984 the dollar remained strong, and over the year rose by 25% against the pound. This affected our figures in a number of ways. Despite the growth in our business, our total assets fell when expressed

	1984	1983
Profit before taxation	£468m	£419m
Profit after taxation	£237m	£284m
Earnings per share	98p	II9 _P
Dividends per share	26.5p	23.7p
Total assets	£44,009m	£38,432m

in dollar terms; the income from our international operations was increased in sterling terms; and our international exposure was increased in relation to our capital.

At such a time it has been most unfortunate that the tax burden on British banks has been increased and their capital strength reduced. notably by the impact on leasing of last year's UK Budget changes on capital allowances. This accounts for the disproportionate deterioration in our post-tax results. It also required us, as we announced last May, to provide from reserves £465m for deferred tax relating to leasing business undertaken in previous years.

Fortunately our capital ratios were previously strong by both British and world standards. Even so, the ratio of our shareholders' funds to total assets was brought down from 6% before the Budget to 4.7% at the end of the year. It will take time to restore this ratio to a higher level, and with this in mind our prime objective must be to improve our return on equity.

The second half of the 1980s is likely to see big changes in banking and other financial services. We are positioning ourselves to maintain a strong performance through those changes and beyond.

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Granada Group makes changes Following tha death at the end of last year of Mr Ken Moore, financial director of GRANADA TV RENTAL, Mr Maurice Marks will be joining the board of Granada TV Rental as director of management services. He will continue as deputy chairman of Granada Computer Services and a member of the Granada Microcomputer Services board, but will relinquish bis responsibilities as group development director and resign from the boards of Granada Theatres and Granada Motor Services. Following the retirement on March 15 of Mr Bryan Quilter from the Granada Group board, the following appointments will be made: Mr Derek Lewis, who joined Granada as group financial director in December 1934. will become chairman of Granada Computer Services. Mr Andrew Quinn becomes chairman of Granada Microcomputer Services and Fraser Peacock. He will remain managing director of Granada Cable and Satellite and will continne as co-ordinator to the DBS consortium. He will

The BARNETT CONSULTING
GROUP has appointed two nonexecutive directors: Mr Andrew
McKay and Mr Norman WhiteMr David Radeliffe has been
appointed managing director of
Barnett Radeliffe Advertising
and Communications.

Mr Kenneth F. Bacon bas been. Mr Kenneth F. Bacon bas been appointed managing director. STC TELECOMMUNICATIONS. His career includes appointments with Fairey Holdings—as group chief executive; Philips—as managing director MEL; and most recently with the Plessey Company where he was divisional managing director. Plessey Communications Systems.

At GRASTISPOOL INTERNATIONAL HOLDINGS, photoprocessing subsidiary of 3M United Kingdom, Mr Mike Atkins is chairman and managing director. Mr Mike Hill becomes director, retail sales and marketing; Mr John Harley, director, group services; Mr Mike Smith, director finance; Mr Tony Griffiths, director, marketing services; Mr Mark Smith, director, personnel Mark Smith, director, personnel and Mr Rob Eaton, production

Mr James K. McNelllage has been appointed group treasurer of THE DISTILLERS COM. PANY.

Mr M. Victor Blank has been appointed joint chief executive of CHARTERHOUSE JAPHET. He shares the post with Mr John B. Hyde, who remains chairman and chief executiva of the bank.

Mr Phoon Ah Lek, managing director of Pegi Malaysia which holds 26 per cent of Dunlop, bas joined the board of DUNLOP. Mr Phoon has previously been the alternate director on the Dunlop board of Mr Ghafar Baba, whose alternate is intended to be Mr Asri Ghafar, also a director of Pegi. To make tended to be Mr Asri Ghafar, also a director of Pegi. To make way for Mr Phoon, Mr Eng Chin Ah has resigned from the Dunlop board. Mr Eng has found it increasingly difficult to find the time to attend board meetings in Lordon.

Waltech has been formed from Walmore Electronics government supply division and will be a subsidiary of Waltech Inc., a company established by Walmore In 1984 and based in New Jersey. U.S. The managing director of WALTECH will be Mr Desmond Jenkins who has been with the group for more than 20 years.

Mr Pat Welch has been elected the condition of the was with and all conditions the was with and the was with the was with and the was with the was with and the was with the was with the was with and the was with the was with and the was with and the was with and the was with the was with and the was with the was with the was with the was with and the was with the was wit

Mr Pat Welch has been elected president of the Storage Equipment Manufacturers Association (SEMA). He is chairman and managing director of the Welconstruct Company.

He was with Haden Maintenance and director and general manager of the international division.

Mr John Taylor has joined COUTTS CAREER CONSULTANTS. He comes

Mr Howard Gamble, group treasurer of WESTLAND, will

Mr Craig Robin has been eppointed financial director of the DATASENSE group.

Tha BARNETT CONSULTING GROUP has appointed two non-executive directors. Wr Andrew

Mr David M. Kelly has been appointed group chief executive at PA for Western Europe (including the UK) responsible for management consulting, computers and telecommunications and personnel services: as well as for personnel services; as well as for PA computers and telecommunipersonnel services, as the personnel services in PA computers and telecommunications and personnel services in North America. He was previously chief executive for the Pacific Region. Mr Neil Kilpatrick has been appointed chief executive of PA Management Consultants in the UK. He was director of operations. Mr Ken Macrae becomes commercial director for the PA Group. Ha was previously responsible for management and executive search consulting in the U.S. for PA.

BURGESS PRODUCTS (HOLD-INGS) has appointed Mr Ian R. McWilliams as a director and chief executive. He has bad experience at chief executive level with a number of organisations including the British Steel Corporation and British Oxygen. Mr McWilliams has also been appointed to the boards of Burgess Products Company, and Burgess Micro Switch Company.

Mr A. G. MacPherson has been appointed a director of STEWART ENTERPRISE IN-VESTMENT COMPANY. He is chairman of the RFD Group, and a director of Unitech.

The BANK OF SCOTLAND, from May 1, has appointed Mr R. J. J. Wickham, chief manager, London chief office, to the new position of divisional general manager, branch administration, London. Mr C. R. Stevenson, assistant London. general general manager's assistant, branch administration, London, becomes assistant general nanager, Mr D. M. Gunn, senior manager at the Piccadilly Circus office, is to be chief manager, London chief office.

Hong Kong and Shanghai Bank (Trustee) where he was a

Africa and will continue as a member of the board of Libra.

BRITISH RAILWAYS bas appointed Mr. Calin Driver as director, railfreight. He succeeds Mr. Heary Sanderson who is retiring in early April. Mr. Driver has been deputy general manager of BR's Eastern Region for the past three years. He is for the past three years. He is succeeded by his David Rayner, deputy general manager for London Midland Region.

The ROYAL WARRANT HOLDERS ASSOCIATION has elected the following to serve for the ensuing year: president — Count Alain de Vegue, chairman and managing director, Veuve Chicquot-Ponsardin; vice-president — Mr Timothy W. Sandeman, director; Geo. G. Sandeman Sons & Co; hon tressurer—Mr Edward Rayne, chairman sed managing director of H. and M. Rayne. of H. and M. Rayne.

Mr J. W. Herbert is to join the board of CHARTER CONSOLIDATED as a fulldirector. At present managing director of Pannan Diesels, he will take up his appointment with Charter during April

Mr T. W. Waller has been appointed secretary of COOKSON

of Granada Cable and Satellite and will continue as co-ordinator to the DBS consortium. He will also remain a director of Granada Television, but will relinquish bis duties as general manager. Mr Alex Bernstein will take over the chairmanships of Granada Motorway Services, formerly held by Mr Quilter. Sir Denis Forman, chairman of Granada Television and deputy chairman of Granada Group, Mr Henry Cheong, a director of Vickers da Costa & Co. Hong Kong, has been appointed a director of VICKERS DA COSTA, stockbrokers. Mr Rupert Hardy, Mr Trevor Harriman, Mr Mark Mobins (Talwan), Mr George Nimmo (Tokyo), Mr Reith Pattinson (Tokyo), Mr Peter Robson, Mr Chris Smith and Mr Stephen d'Anyers Willia have been appointed to the senior management of Vickers da Costa. chairman of Granada Group, will bave overall responsibility for group personnel. Mr Quitter will remain on the Granada TV Rental board as a non-executive

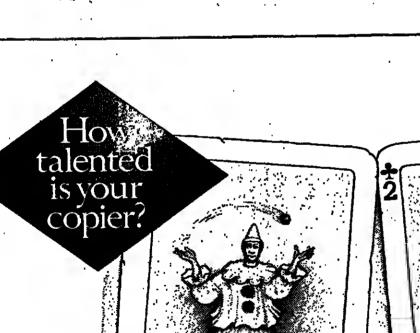
PARKLAND TEXTILE (HOLDINGS) bas appointed Mr Barrymore J. Spencer as chairman to succeed Sir. Richard, Denby who has retired but who will continue as a director. Mr Spencer joined the company in 1048. For the past 10 years ha Ms Joy Westen concessions controller for HORNES RETAIL since September 1982, has been promoted to cancessions director.

TARMAC housing division has made several promotions. Miss Teresa Evans becomes director and general manager of McLean Homes Scotland. At Thamesway Homes Mr Steve Marsden, formerly general manager, has Mr Derek J. Allison, managing director of Purfleet Deep Wharf and Storage Co. has been appointed a director of ASSO-CIATED NEWSPAPERS HOLD-INGS. been promoted to managing director. He is joined on the board by Mr Leon Tusz, respon-sible for estimating and buying. Tarmac Homes South Yorkshire Tarmac Homes South Yorkshire has appointed Mr Tony Issitt as director responsible for estimating and buying. McLean Homes South has appointed Mr Nigel Cury as sales and marketing director. The company's new production director is Mr Bill King.

of FITCH & COMPANY DESIGN
CONSULTANTS are Mr Giles
Marking, director; shopping
centres; Mr Bryan Green, director, offices and property development: Mr Richard Pullen,
director, travel and leisure; and
Mr John Besford, product MEGGITT HOLDINGS, Poole, bas appointed Mr James R. Dawson as managing director of Mr Thomas F. Gaffney has been appointed nresident of the subsidiary, Meggitt Machine thased merchant banking subsidiary of the Chase Manbattan of Kearney and Trecker Marwin.

Nead

Gaffney returns to Chase after 13 Mr Barry Stones has been years secondment as managing appointed civil engineering director of Libra Bank. He will director of contracts with bead Chase Manhattan activities HENRY BOOT NORTHERN, in Europe, the Middle East and Dronfield.



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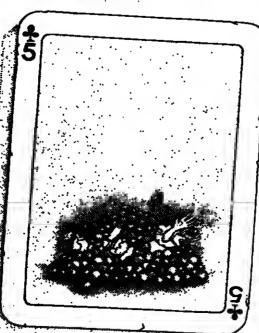


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Architecture/Colin Amery

Pastiche beyond the rainbow

In case you had ever wondered what is at the end of the rainbow, the answer is to be found until the end of the month at Earls Court in London. A large glittering plastic rainbow arches over the vision of an ideal English village conjured up for visitors to the annual Ideal Home Exhibition. The end of the rainbow rests in a pool at the foot of the magic castle—a myriad of turrets soering into the hive distance.

What does it all mean? This

What does it all mean? This is the annual display of the kinds of houses that Mr and Mrs Average Brit are supposed to desire. This year the nation's builders have excelled themselves and created a feature. builders have excelled themselves and created a fantasyworld that is e cross between
Beatrix Potler and Tn the Manor
Born. Indeed the house of the
year this year is "based on the
typical Cotswold Manor House
seen in so many parts of the
West Country." This bastard
version of a vernacular house is version of a vernacular house is the product of a company ASPP Limited that sells to potential builders books of house plans in a seriea of atyles from American and French, to Australian (Australian?) and Spanish.

The bouse of the year is large and entirely built of that particularly ghastly material that has defaced so many towns and villages, Bradstone—a reconstructed artificial stone that the manufacturers claim is the aesthetic alternative to natural stone. It comes in a range of colours and sizes—the house of the year is in "weathered Cots-wold"—and even from wold "—and even from a dis-tance it looks decidedly fake. In fact the creation of this horrible material is an example of the ennemous waste of effort that affects some parts of the huild-ing industry.

ing industry. Why extend so much energy producing a material that will never look as good as the real thing? Why not devote the energy to finding a more economic way of using real stone thet is native to its area and will weather and improve with



Charles Church's popular Keeper's Cottage house design keeps modern design at bay

apparently intelligent mortals mutileted vegetable for the spend four weeks every spring shut away in a large hall creat. Have you tried the wonderful shut away in a large hall creating a fake village of life-size houses and that other possibly intelligent mortals actually wait In long lines to tour the insides—they would be right to question our aanity.

Even more hizarre are the surrounding sideshows to the village circus. There are clock-work dogs that turn a complete somersault whenever their owner claps his hands, machines that drill holes in the hottom of glass beer mugs (an answer to the drink and drive debate?), a device that If anyone visiting us from twirled around a cucumber to Mars was told that bundreds of produce a long corkscrew of

of water softeners and double glazing lles e serious dilemma. Are these the bomes that most people want or are the bouse builders such philistines and vulgarians that they cannot see that they could do hetler?

What is the point of the illu-sion of e house like that which exhibition? Called the Keeper's Cottage it is a superficielly charming character faced in brick with knapped films end faintly Gothic windows. Inside, of course, it is totally unlike any keepers cottage that I have seen and is as bland and feetureless as any other spec, built modern house. The building company, Charles Church, is known for the high etandard of its construction but it is said that the same thing cannot be said of design. Church reckons to build 700 houses a year and none will break any design boundaries or offer enything other than the most dreary conservatism.

What is on offer at this show is a pathetic reflection of the Almost all the developers and designers of furnishings seem to think that dim pastiche is enough for the Britisb public.
They only buy it because so little else is on the market.
What are our erchitects doing

ebout the vast domestic mar-ket? It would be wonderful to be encouraging and say that the profession as a whole was making e serious effort to raise the design stendards of the domestic market. Ales, it is exceptional for architects of any quality to work for the mass market. Some do—Jeremy Dixon's work for Costain in London's Dockland looks promising, but It is

a rare exemple.
Surely now it is not necessary time. A simple magnet keepa the two sponges together so that to present our domestie dreams in a world of plastic water lilles and decoy ducks and fake heraldry. In one corner of Earls Court is an exhibition stand called Riddie Kottages (sic)— miniature houses for children that ere, of course, thatched and balf-timbered. As one visitor was overheard to say, "It's just

ctually save lives. like the reel thing . . . " Too In the midst of all this world true, too true.

Norma/New, Cardiff

Max Loppert

Rushing in, as ever holdly, with a strong sense of theatrical not Pollione bul Adalgisa, e at the Italian text; she gives where all our other regional com-panies fear to tread, the Welsh (and, by the end, excessive) National on Friday showed Car-use of half-masks. As well as creating some ravishing ruined Pompeii vistas (but diff the first British Norma to be given outside London for a very long time. The reasons for not attempting to add why so much ruin in ancient Gaul?), the set affords, with its smoke hillowings (rather Beilini's maslerpiece to a com-pany's reperfory are obvious enough. Its demands on singers, above all on its leading soprano. uncontrolled on Friday) and moveable atage floor (ditto), an interesting underscoring of the private drama. The emoare now seldom answered even tions of the central triangte are, Indeed, rawly played out; nothing has been taken for granted, and such e treatment of the work is, at the very least, In the world's leading theatres
— and the singing of the work is only the beginning. For Norma is the great bet canto tragedy; and the Norma who fails to draw the grandest dramatic emotions from the moulding of its vocal line is, in refresbing. the end, no less inadequate to

the task theo the soprano who smudges or chirks its roulades. its runs, its fioritura Judged by the highest standards -a cruel but unavoidable position for a critic to take — Friday's performance must be accounted a failure. But it is e failure of an hooourable, dis-tinctive, often striking kind, worth more than many inter-national "successes," Its em-phases are differently made, as one might expect in a producaltogether over - embellished.
Norma and Adalgisa must give
her children a wash-down while
threading their way through
the final duet-cabletta (in the tion by Andrei Serban, who, with designer Michael Yeargan, was responsible for the WNO'e

previous bel caoto aurprise, the new-look Puritoni. With a vengeance Serban scrapes eway the statuesque poses and artitudes usually deemed appropriate to this opera. Hieratic ritual is imbued

But it bas gone too far. More than once one is left wondering whether at some point the producer lost confidence in the expressive force of the music,

for he regularly hreaches its formal patterns — wheo the chorus stands stilt during its departure music only to be moved off to the entrance music of the next scene, the effect is wilful, musicelly jarring, dramatically unhelpful. Tha production has been

proper high key of F), a hair-raisingly difficult plece; It's as if the audience is being told You see, none of that old prima donna stuff here!", rather than being offered a aensitive new blending of music and drama. And on any reckoning the rewritten finale—it is

silent presence throughout, who mounts the pyre with Norma-makes no kind of sense whatsoever. The core of this ber the full success one so much production is sound. The surface needs pruning.
Suzanne Murphy. Elvira in
I puritoni, takes the litle rote.

She is tall, beautiful, dramatio ally alert; she has worked hard



Suzanne Murphy

berself totally to the production.
On Friday the vagaries of her wanted her to have. In low middle registers, "while" and unresonant, the articulation of all-important recitative tended lo blur; bigher up, there was e feeling of hit-and-miss some-times the line was hooty and lll-tuned, sometimes asionisa-ingly bold, clear, and free. She worked closely and well with the warmly tender, vulnerable Adalgisa (properly also a soprano) of Kathryn Harries, an improved but not yet completely focused singer. By these two, the feeling of dramain-the-music was only fitfully conveyed.

Frederick Donaldson, Polisone. made the most Italianete im-pression, though his style needs polishing. Of Harry Dworchak's very strong Oroveso a similar qualification could be made did anyone, 1 wonder, give the principals a prellminary "masler class" of the finest Norma sing-ing, from Lilli Lehmann and Pinza onwards, on records? Julian Smith began as though an adherent of the Muti rather than the Serafin school of Bellini conducting, taking the overture at a lick that made its melodies sound trivial, Later on he calmed down to prove a seemly end knowledgeable accompanist, but the orchestral playing failed to do justice to Bellini's simple but (in the proper circumstances) wonderfully effective scoring.

Number Three/Covent Garden

Clement Crisp

decorate atage works dates of the work. And in every case save this last, the coatuming has ack in direct line to Savva Mamontov's Opéra Priré stagings in Moscow a hundred either years ago. The procedure found its most brilliant realisation with the Dieghllev Ballet and unflattering The latest station in this via

dolorosa of décor is Michael Corder's Number Three, acen for the first time on Saturday night, with design by the American abstract painter Heien Frankenthaler. That there existed some lack of accord between Mr Corder and In recent seasons the pitfalls his designer was made clear by rather than the rewards of this a programme insert which re-policy bave been manifest in ports that the choreographer "bas expressed some doubt as to whether the ballet will be rather too arbitrary fashion shown to better advantage in upon dance: a John Hubbard the costumes which Miss Fran-painting placed at the back of kenthaler bas designed, or in simple white costumes."

Mr Corder's doubt, on this

first viewing with designed cos-

The use of eesel painters to Pasmore setting for Young by Mark Silver, Bryony Brind all-over tights worn by the ecorate atage works dates Apollo, nobly apt for the spirit as a more isoleted figure—with dancers, mottled and striated three subsidiary soloists and a large corps de ballet to explore the music's textures and mass in varying permutations of triads. It is clean, well shaped in its first two movements. It is in the finale that Mr Corder's concern to match compositional

> clearer definition in the crossing lines and eddies of the choreograpby. It is, though, a work of fluent craftsmanship, the sparkling Lesley Collier, Mark Silver and

weight and structure brings a

feeling of over-crowded inven-

tion, though It may well be that later performances will produce

with colour, emphasise the wearers' bulk rather than their linear qualities, with only Miss Brind's Brind's etoliated physique looking good in silvery hlue

It has lo be said, too, that the piece is depressingly lit. One has but to recall the marvels achieved by Jennifer Tipton's lighling in crealing mood, in lmhuing dances with a three-dimensional clarity, for dances in London end New York, to sense what is so sadly missing here. With white costumes, revised lightlog, Number Three should bear better testimony to

Mr Corder's gifts. Bryony Brind—seen once again as the dominant figure established in Mr Corder's Party Game—well displayed.

Helen Frankenthaler has provided back-drops for each movement, something of an emborran of abstract riches, of which the Party Gome; Deanna Petherbridge's complex architectural
fantasies for A Broken Set of
Rules; the substitution of
Christopher Lebrun for Eugene
Berman (a painter equally
master of stage imagery) in
Ballet Imperial. The honourable
exception has been the Victor a trio—Lesley Collier partnered

Helen Frankenthaler has prowided back-drops for each movewided back-drops for each movement, something of an emborran
of the score
and an underpowered potrayal
of the magical bird. Jiri
Kylian's Return to the Strange
Lond returned to the slage looklook
mass and calligraphic hrushwork and the third, with its
graphy for skaters embellished
with hollow emotional attitudinising—Angst on Ice.

The New Hardware Store/Arts **Martin Hoyle**

In 1970 Trinidad had a locally") there are moments if revolution so gentle that few confusion when Allister Bain's of us have heard of it, its boss, lapsing from his habitual results so transient that it was air of comic outrage, indulges virtually ineffective. The last in rant and splutter. His assumpments in the original version, with the essential alto flote, and as usual got its diction and the first concert last Tuesday, its glassy colours precisely in Maida Vale, it included the first concert last Tuesday, its glassy colours precisely in Maida Vale, it included the comprehensible.

As the antic Rooso who comes to life only in calypso Jim proprietur W. Cherry (white). Findley, looking like the late and odd-job man by day, security guard by night, gests the pride beneath the resignation. Joan-Ann Mayourd hitterly remarks of his white exemployer, "Wa had an understanding: I battling him, he battling me." But explains the first concert last Tuesday, its glassy colours precisely in Maida Vale, it included the first concert last Tuesday, its glassy colours precisely in Maida Vale, it included the first concert last Tuesday, its glassy colours precisely in Maida Vale, it included the first concert last Tuesday, its glassy colours precisely in Maida Vale, it included the first concert last Tuesday, its glassy colours precisely in Maida Vale, it included the first concert last Tuesday, its glassy colours precisely in Maida Vale, it included the first concert last Tuesday, its glassy colours precisely in Maida Vale, it included the first concert last Tuesday, its glassy colours precisely in Maida Vale, it included the first concert last Tuesday, its glassy colours precisely in Maida Vale, it included the first concert last Tuesday, its glassy colours precisely in Maida Vale, it included the first concert last Tuesday, its glassy colours precisely in Maida Vale, it included the first concert last Tuesday, its glassy colours precisely in Maida Vale, it included the first concert last Tuesday, its glassy colours precisely in Maida Vale, it included the first concert last Tuesday, its glassy colours precisely in Maida Vale, it included the first concert last Tuesday, its glassy colours precisely in Maida Vale, it included the first concert last Tuesday, its glassy colours precisely in Maida Vale, it included the fir ex-employer. Wa had an in Matura's Ployboy of the understanding: I battling him, he battling me." But exploitation by his own kind, the hilustering Ablack, is barder as is Janet Palmer, a pretty to take. The second part of secretary mistakenly believing her A levels to be the key to a a free-wheeling fantasy where

the two men embody various attitudes and the two women staff-members respond, first to authoritarian paternalism then tn the call of cultural dignity and self-discovery.

Mr Lovelace is both poet and novelist, and this lyrical debete (at times curiously recalling the show-down between the old king and the newcomer in Sam Shepard's Tooth of Crime! needs more flexibility than Yvonne Brewster's direc-tion can give it. It would go

better future.

Tom Conti goes into Two into One

Tom Conti will be taking over the role of George Pigden, originally created by Michael Williams, in Ray Cooner's comedy Two Into One at the Shafteshury Theatre from March 18 for six weeks. Other leading roles will be taken by Eric Sykes, Donald Hewlett and Angela Brown.

non can give it. It would go ideally on radio. As it is, despite telling points in the cultural and economic colonialism that is more insidious than the political ("We will import a life for you and assemble it Kathy Staff.

Angela Brown.

The play's summer season begins on April 29 with Michael williams back in the cast and with Anton Rodgers, Moray Watson, Wanda Ventham and Kathy Staff.

BBC Symphony/Festival Hall

David Murray

on this page Andrew Clements reported some disappointment with the Maid Vale Rituel.

new piece of equipment that even Heath Rohinson never

quite mastered? Now, today after years of research it is

possible with the aid of this unique tool to clean both sides

of your windows at the same

parallel tracks of cleanliness can be followed all over both

window surfeces at once. 1 cannot quite understand why

this ingenious instrument is not

used all over the world. It would be particularly valuable

in tower blocks, where it might

actually save lives.

Probably the deeper reaches of the Festival Hall suit It better, and perheps the second performance was tighter; at any rate its gentle grip never loosened, and it sounded ravishing. Boulez's instrumentation approaches here the plangent tone of Messiaen's—the ripples and geysers of the woodwinds aren't far from Messiaen's stylised bird-calls. It is a score of mourning arabesques and grand punctuations like columns, a lucid frieze that doesn't "develop" but only expands, as the various instru-mental groups come to join in this "litary for an imaginary ceremonial." It struck ma that the newest Boulez, the lovely minieture Dérive, shares the Rituel pattern of buhbling eddies and undertows around

In two weeks Pierre Bouler a slow, deep pulse.
will be 60, and the BBC—always solicitous about birthdays Symphonies of Wind Instru-Symphonies of Wind Instru-ments in the original version,

paragraphs more than the old rigorous cogency.
Webern's early Passacaglia was less tight-lipped, too. The beginning was strongly pointed (sometimes an audience almost misses it), hut later Boulez allowed dramatic nrchestral gestures to take the foreground, letting welcome air into a piece that is diminished by strict exposition. Analytic ears might have missed some elements that got submerged, as also in Berg's got submerged, as also in beigs seminal Three Pieces, op 6. But the impassioned ferment of Berg's writing must be felt in performance, and it was, excitingly: if an occasional voice was lost in the mêlée, that was neither bere nor there.

Artistic director John Retalleck, founder and artistic director of the Actors' Touring Company, has been appointed artistic director of the Collseum Theatre, Oldham. His

Other Places/Duchess

One for the Road, the third of the three sbort plays by sharold Pinter that make up the evening, is the most Interesting, though its materiel is all too familiar to anyone who has read about interrogations in totalitarian lands. Nicolas (Colin Blakely) is the interrogation, a portly man of mutsble disposition, ostensibly friendly at one moment, quietly threatening the next. We first see him with Victor. The talk is about the number of times she has been raped by the soldiers upstairs, then she too is sent away. Victor is brought back, a little candon before turning to more bedraggled. He is told he is free, and, harely able to speak, asks for his son. "Oh, and son before turning to more death," be repeats, adding as an ends. And that is all, just a death," be repeats, adding as an ends. And that is all, just a little controller for the three source sketch (and wasn't there a similar one, decades black revue sketch (and wasn't there a similar one, decades there a similar one of the taxis in his fleet; but the taxi driver either all. Ultimately he confesses that he has a girl on the back the has a girl on the back at the has a girl on the back the has a girl on the back the has a girl on the back at the has a girl on the back that he has a girl on the back at the has a girl on t of the three sbort plays by Harold Pinter that make up the evening, is the most interesting. though its materiel is all too familiar to anyone who bas read about interrogations in totalitarian lands. Nicolas (Colin Blakely) is the inter-rogetor, a portly man of mutable disposition, ostensibly friendly at one moment, quietly threatening the next. We first see him with Victor (Roger Devidson), already on bis last legs. Nicolas tauots him with thoughts of his wife and son before turning to more positive business. "I love

was variously emulated there-after. The Royal Ballet, in its

most imaginative decorative years, when Sutherland, Burra,

Piper, Hurry designed for the company, showed dance and painting eloquently united.

stagings whose design has seen

an artist's work imposed in rather too arbitrary fashion

the stage for Midsummer; the emphatic Caulfield setting for Party Gome; Deanna Pether-

B. A. Young

artistic director of the Actors' Touring Company, has been appointed artistic director of the appointed artistic director of the appointed artistic director of the Colliseum Theatre, Oldham. His first production will open the autumn season.

And obstored the Actors' Touring Company, has been death," be repeats, adding as an afterthought, "of others." "You wretched glimpse into a ghastly can go," be says briefly, and victor staggers off; to be replaced by his son, seven-year show Pinter with good ideas not from long sleeps by injections

either restored her more con-vincingly to ber 16th year, or given ber more tell about her absence. Back to Dr Sacks'a

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Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednes-day. Exhibitions/Thursday. A selective guide to all the Arts ap-pears each Friday.

Music

LONDON Royal Philharmonic Orchestra, conductor Edward Heath; Nigel Ken-nedy, violin: Rossini, Vaughan Willi-

ams, Bruch, Beethoven, Royal Fes-tival Hall (Mon). (9283191). Bach 300 Festival with London Bach
Society and Steinitz Bach Players:
Bach's cantatas for the Royal House
of Saxony and Leipzig University.
Queen Elizabeth Hall (Tue).
(9289131).

Christa Lodwig recital: Erik Werba, piano (Mon). Theätre de l'Athenée
(7428727).

Orchestre Colonne conductor, Antonello Allemandi, Raphael Orozco:
Chopia, Mahler (Mon). Salle Played



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PARIS

ello Allemandi, Raphael Otozco: Chopin, Mahler (Mon). Salle Pleyel (5610630).

rio Eysseric: Haydn, Beethoven, Schubert (Mon). Salle Gavenu tor Lawrence Foster: Copland, Ma-chover, Monnet, Stravinsky (Mon). Theatre du Rond Point (2567080).

WEST GERMANY

Frankfurt, Alte Oper Lieder recital by Dietrich Fischer-Dieskau; Hartmut Höll, piano, an all-Brahms evening (Moo). Ivo Pogorelich, piano recital Schumann, Prokofiev, Chopin

ertin, Opera: Lieder recital by Bri-gitte Fassbänder, Irwin Gage, piano: Schumann, Berg, Lisat and Richard

ITALY

Milan: Teatro alla Scala: Vladimir Ashkenazy plano recital, Schubert sonetas and Rachmaninov's Variations oo a Theme by Corelli (Mon).

VIENNA

Haydn Festival 1985: BBC Weiah Symphony Orchestra with BBC Weiah Choir, conductor Roger Norrington. Eiddwen Harrhy, soprano; Carolyn

Watkinson, alto; Maldwyn Davies, tenor; Stephen Roberts, baritone. Handel and Haydn. Musikverein.

March 8-14

NEW YORK

(Mon). (658190).

Carnegie Hall: Alban Berg Quartet: Philippe Entremont, piano: Mozart, Berg, Schumann (Mon). National Orchestra of New York: Lukas Foss and Alvaro Cassuto conducting Ye-budi Menuhin and Edna Michell, vi-olins: Schumann, Brahms, Foss (Tue): The Israel Philharmonic Zubin Mehta conducting; Ishak Perl-man, violin; Avni, Tchaikovsky (Wed); Israel Philharmonic: Zubin Mehta conducting: Tal, Mozart, Mahler (Thur). (2477459).

WASHINGTON

National Symphony (Concert Hall); conductor Matislav Rostropovich, Leon Fleischer, piano: Berlioz, Rav-el, Shostakovich (Mon. Tue), Ken-nedy Centet (2543776).

CHICAGO

Chicago Symphony (Orchestra Hall): Youth Concert, conductor Henry Mazur, Amy Oshiro, violin; Bradley Opland string bass: Squire/Miller, Mendelssohn, Vanhal, Verdi (Wed mat). Chamber Music Concert: Chademian Trio: Beethoven, McCabe, Schubert (Wed). Rafael Kubelik conducting; Edgar Krapp, organ; Kubelik, Beethoven (Thur). (4358122).

Saleroom/Antony Thorncroft British art for all

set the highest prices for works among the early 20th-century by Constable, who has been British artists now collected rather over-shadowed by Turner keenly, and all have contribution recent years. But a family tions in this auction, sometimes portrait of the Lambert child-reb, whose whereabouts was small sketches. A the other unknown until recently, and an early oll sketch of Fletford ston Churchill of a café in St Mil, should both sell for over Jean de Luz is estimated at up £100,000.

This sale is on Wednesday.
The next day there is a fine anction of British watercolours and drawings, including the last known dated drawing from Constable, of October 15 1835.
But the most important item on offer is e watercolour by William Callow of the Pont Royale in Paris. Produced in 1839, It is considered the finest of bis works to appear on the market, and should fetch £30,000.

Newlyn School, active in Pen-buy, snd to look at, zance in the 1880s. There will be keen bidding for "The jubi-lee bat" by Frank Bourdillon, Elsewhere in 1 a pretty genre scene showing a missionary and geve up painting mate of £12,000.

British paintings come into for good in 1892. This work their own this week with auctions at all the four main salernoms. Sothehy's should wood, and Walter Greaves are to £3,000. There also are works by Helen Bradley, Lowry(in rofusion), John Piper, William Roberts, and many more, in an

Phillips' most important picture on Tuesday is a view of Stirling by Alexander Nasmyth, which carries an upper estimate of £25,000; while at Bonhams on Thursday "the fourth love painting" by David Hockney is effered with an estimate of £20,000-£30,000. It was painted in 1961 when it was priced at £30. All in all, anyone inter-Christie's auction on Friday ested in Brilish art from the includes an interesting group 16th century onwards will have of paintings by artists of the an unrivalled opportunity to buy, and to look at, 1,200 paintings, drawings, elc., priced

Elsewhere in the auction rooms on Thursday Christie's woman admiring the hat she is selling a George Cross has made lo celebrate Queen awarded to Sgt Michael Willelts Victoria's golden jubilee. Bour- of the Psrachule Regiment for dillon worked as an artist for an act of bravery in Belfast in only 12 years; he became a 1971. It carries an upper estiBRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY Telegrams: Finantimo, London PS4. Telex: 8954871 Telephone: 01-248 8000

Monday March 11 1985

Let the arms talks begin

THE NUCLEAR ARMS negotiations which open tomorrow in Geneve promise to be a long. complex affair, and it is as well to recognise from the outset that the prospects for an agreement are unusually uncertain.

The first uncertainty is whether these will be real negotiations, in the sense of bargaining with a ahared purpose of discovering whether there is a hesis for a deal. U.S. policy, as a result of President Reagan's public commitment to the Strategic Defence Initiative, is to aim at the ultimate reversal of the doctrine of mutual vulnerability, which has underpinned all previous arms con-trol talks. And to judge from Moscow's incessant propaganda harrage against tha SDI even before negotiations begin, lt may be doubted whether the Soviet Union is entering the talks in any constructive frame of mind.

Political appeal

The moral and political appeal of President Reagan'a quest for an effective defence against nucleer weapons is unimpeacbable; the problem for the U.S. Administration is find-ing a way to weeve this laudabla aspiration into the arms control process in such a way that it enhances America's security. For if the U.S. were to start to test and/or deploy new defensive systems unllaterally, with-out detailed agreement from the Soviet Union on what would and what would not be permitted, the most probable outcome would be a double arms race, in offensive as well as defensive

The Russians can have no desire for such a race, Quite apart from its enormous economic costs, they know that it would be dangerous and destabilising. Their problem is discovering how to get a bandle on SDI, to ensure that the U.S. does not make a unilateral transition from research to testing and deployment. This problem is particularly acute because the policy aspiration for a new defence-offence belance exists primarily in the mind of President Reagan, based on an unbounded but so far unproven faith in the potential of American technology. If the Russiams have taken the measure of Ronald Reagan, they can bave little confidence that they can persuade him to renounce his aspiration—unless, more modest proportions; time duction proposals in Geneva.

tion says it will continue to States.

Missile (ABM) treaty, which forbids deployment of new defensive systems without prior negotiation between the two superpowers. The U.S. research programme is only just gathering momentum, and it mey not produce usable results for many years, if ever. For at least the next 10 years, according to the now-standard formulation put out by Mr Paul Nitze, chief arms control adviser in Washington, the nuclear balance will continue to depend on mutnal vulnerability and the threat of retallation. Getting a handle on SDI may be important to the processors (in spite of the fact Russians (in spite of the fact that they are conducting their own research into the self-same advanced technologies) but it

cannot be described as urgent.

Moreover, U.S. spokesmen
have started to eppend important caveats to the President's
aspiration. Mr Nitze bas laid down two very tough criteria which must be satisfied before any new defensive systems can be deployed: they must be largely invulnerable to attack— which must weigh heavily against any space-based sys-tems; and they must be cheaper at the margin than additions to the enemy's offensive forces—which is probably an unattainable condition.

Soviet propaganda

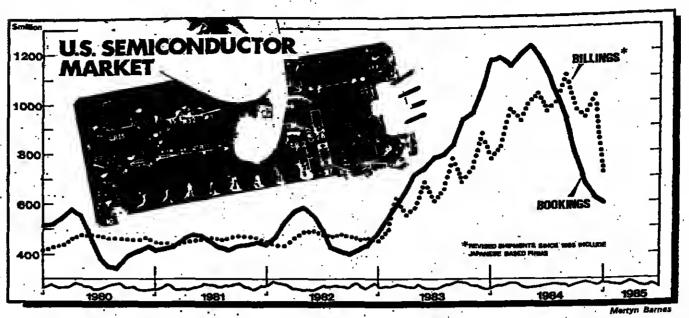
In short, it may seem that the initial Soviet preference is to try to get by propaganda whet they cannot secure et the negotiating table, a public re-cantation by President Reagan of his new strategic doctrine. If so, it is vital that the govern-ments of the European allies adopt a common posture of vigilance and discretion. They vigilance and discretion. They should not appear to endorse the SDI objective, even implicitly, by participating in the research; conversely, they should avoid any public sniping at the U.S. negotiating postnre. In return they should press for the closest possible consultation from Washington. The fevered diplomacy of Dr Hans-Dietrich Genscher, West German Foreign Minister, whose rusbed visit to Moscow won nothing but insults from the Rissians, is a locus classicus of what not to locus classicus of what not to

concelvably, they make some may even make possible a con-oulte unprecedented arms re-structive re-think of the role of defence in the nuclear balance. Yet in rational terms it is But meanwhile the top priority hard to make sense of the feromust be to prevent Soviet procity of the Soviet propaganda paganda from driving a wedge campaign. The U.S. Administrabetween Europe and the United

U.S. CHIP MAKERS

Business stinks

By Louise Kehoe in San Francisco



to a situation in which, as one senior intel executive puts it auccinctly, "Business stinks." Industry leaders have given up trying to predict when the up-turn will occur and are instead speculating ebout when the bottom will be reached. Seeq Technology, Intersil—tha list of companies cutting back on production gets longer week

E . HAVE fallen off the cliff," says Dr

Gordon Moore, chair-

man and co-founder of Intel,

one of Silicon Valley's leading

After racing upwards to near 50 per cent growth in 1984, the U.S. semiconductor industry has

tumbled into a free-fell dive that has industry leaders and

economists perplexed.

What began as a "short-term inventory correction" in late 1984 has turned into the most

dramatic decline ever experienced by the highly volatile U.S. semiconductor industry. 'T've never seen anything like it in my 17. years in the industry,' exclaims Mr Charles E. Sporck, president of National Semiconductor.

It has taken the American chip makers just six months to swing from record high sales

"We expect to see a levelling

off and then improvement over the next few months," says Mr Charles E. Thompson, senior vice-president and director of marketing for Motorola's semi-

conductor sector. "I'm in mar-keting, so I'm always an opti-

But others fear that there is

February's figures are not yet available, but are not expected to show a aignificant improve-

Morale la very low. "We are

norale la very low. "We are looking for stabilisation. We hope that the second quarter will be a little better than tha first," saya Dr Moore. Some chip buyers have given Intal clues that they may be ordering more buyers they may be ordering.

more parts over the next three

months, he explains. "But maybe it is wishful thinking. I'm not especially optimistic. There has been no improvement in order rates this month." he

far. . . . The short-term ontlook is not good."

Symptoms of a serious decline

in sales can be seen throughout the industry. Texas Instru-ments, the largest U.S. semi-

"We've come down so

mist," be adds.

chip makers.

Among the worst hit by the current downturn are companies that concentrate on the memory chip sector. Micron Technology of Boise, Idaho, A. dram (dynamic random access memory) chip maker, has cut its 1,250 workforce in half. United Technologies' Mostek subsidiary axed 600 jobs last worse to come for the chip makers. January sales were down 31 per cent from a year earlier, according to the Semi-conductor Industry Association.

Underlying the sombre mood of Silicon valley and other high-tech enclaves is the lingering fear that the industry may be beading into e full-scale reces-sion. It is already clear that, unless new orders for semiconductor parts start pouring in by May or June, the diffi-culties of the last few months will seem minor.

Boom and bust cycles are nothing new to the U.S. semi-conductor industry. In fact the chip makers always seem to be on a steep ramp — heading either up or down. The industry can change direction almost overnight and its workers recognise as much. Advanced Micro Devices chairman, Mr W. J. Sanders III, likes to quote one of his production line workers who asked: "Will we be working overtime right up until the layoffs start?" Mr Sanders did

conductor manufacturer, made ebout 2,000 people redundant in December and Jannery, "as a result of continued deteriora-There is, however, growing frustration among U.S. semi-conductor companies at their own inability, to predict business trends. Industry leaders, most of whom were founders of the U.S. configuration of tion in world semiconductor market conditions." The com-U.S. semiconductor busiit plans reduced output for the first six months of this year. To cut overheads, Intel made month, the company's first job cuts in 10 years. National Semiconductor took a two-week comparisons with earlier cycles 'holiday' in February, and is tentatively scheduling another sbut-down in April. Signetics, Zilog, Monolithic Memories, 'Dr Moore.

Semiconductor. The prospect turn seems to relate to a unique of parts sbortages forced all semiconductor users—makers of mainframe computers, telecommunications equipment and tha like—to place extra orders, further exacerbating the problem, be explains. swings. But each new down-

Chip makers did realise as early as May 1984 that they were moving dangerously close to the edge even as order books were bulging. "We called it tha personal computer cliff." recalls Dr Moore.

The chief danger was over-inflated demand. "In 1982-83 there were dozens of companies entering the personal computer market. Together they had business plans that would have provided one personal computer for every living person on the face of the earth and a few on the moon besides," says Mr Charles Thompson of Motorola.

There were a lot of reputable companies all going after 10 to 50 per cent of the market, and ordering semiconductor parts much comfort to semiconductor accordingly. We tried to predict makers today. Intel, which is who the winners would be and we avoided doing business with supplies the microprocessors

agrees Mr Gary Arnold. "The ln 1985."
customers all have computerised ordering area. puterised ordering systems that ere triggered by lead times. When lead times move out, they start ordering more parts."

Knowing what is happening is not always much belp.
"What are we supposed to do, refuse to book orders? Then today we would be looking at customers overstocked with our competitors parts instead of our own," says Mr Newman, "It goes goes against the grain not to accept orders," agree Dr Moore at Intel

Neither does picking the eventual "winners" in the per-sonal computer market offer

Chip prices have tumbled by an amazing 40-50 per cent in the past four months. Some are selling as low as 60 cents

shaky."

The. personal computer "irrationally created high " demand for microprocessors, memory chips and associated electronics parts. With their order books full, chip makers began to quote delivery lead times in months and years. That was enough to frighten ness 20 years ago, feel that they other customers, says Mr Doug ought by now to be able to forecast the timing of market tegic marketing at National

and many of the other chips used in IBM's top selling personal computers, And National Semiconductor is a major supplier to Apple computer, the second largest U.S. personal computer manufacturer, Both chip makers face order cancellations and postpomements. lations and postponements. "It is discouraging, when you

look back and think, what could we have done better? Whatcould we have done to avoid the current situation? I don't see etter route. "If personal computers had not bappened, then the industry would have grown by about 28

sonal computer frenzy upon the semiconductor industry high-lights its vulnerability to the next "electronic hoola hoop." Could it happen again? Could the semiconductor industry the U.S. semiconductor industry be high-jacked by a consumer craze? "Yes, if there were 50 or so companies making tha boola hoops," says Dr Moore.

But parsonal computers were not solely responsible for the 1983-4 boom. There is growing evidence of weakening demand from a broed range of semicon-

"Everything appears to be soft. Everything is down at least a little hit," says Mr Harold Ergott, president of United Technologies Mostek. "While we see growth, it is nothing like we hoped for."

The growth rates of most major "end-user" segments of the semiconductor market are slowing down, agrees Dr Daniel L. Klesken of Mont-gomery Securities in San Fran-cisco. "We bave revised our 1985 forecast of zero growth in the semiconductor market to a 12 per cent decline." Coupled with soft demand for

Coupled with soft demand for semiconductora is a dramatic fall in prices. While chip prices typically declina by an average 30 per cent per year, they have tumbled by an amazing 40-50 per cent in the past four months: 64K dynamic rams, for example, are now selling for under a dollar, sometimes as low as 60c per chip. Last summer they were worth \$3 each. So even after demand each. So even after demand recovers, semiconductor makers will face an nphill climb to rebuild revenues.

Falling prices hardly encourper cant last year, rather than which is altering buying practices is the wave of enthusiasm Thompson of Motorola, "and we for "just-in-time" delivery would be looking at another schedules that is rushing that is rushing bloodier.

through the U.S. electronics and computer industries. Conventional delivery schedules would typically provide short six weeks' worth of inventify in a computer factory. The just in time approach reduces chip inventory levels to a few bours or less.

bours or less.

Declining profits have already persuaded most of the major U.S. chip makers to deligy expansion plans formulated during 1983-84. But that is raising renewed concern about Japanese competition. Japanese semiconductor firms aggressively added production capacity through the 1981-82 recession when U.S. producers were cutting back. That placed the Japanese in a strong position to take advantage of the recovery. Industry analysts fear recovery. Industry analysts fear that American manufacturers may again be forced to cut spending and once more lose market share to foreign cum

The growing electronics semi-conductor trade deficit between the U.S. and Japan has long the U.S. and Japan has long-been a thorn in the sida of tha U.S. industry. During the good-old-days of 1983-84 there was, however, little time to spend on politics. Everybody in the industry was much too busy filling bumper orders. Now, the Japanese issue is again raising its head.

"The Japanese are a con-tinued threet, but an order lost in bad times, is harder to replace than in good times," says Mr Arnold. "They (the Japanese) are taking over the commodity (basic chip) market," adda Dr Moore, "and that is a lat of the market."

Most U.S. chip makers continue to call on Japan to open its markets, to create "a level playing field" for U.S. and Japanese competitors. They lobbied as a group for the bilateral elimination of semi-conductor industry tariffs and were delighted when both countries finally implemented zero tariffs this month.

But faced with growing economic pressures in their home market and little solid evidence of progress toward opening Japanese markets, U.S. semiconductor makers may take off the kid gloves that they have worn in trade discussions for

the past few years.

Already, Motorola is leading an industry push for import. surcharges on foreign manu-factured goods that is speci-fically designed to eddress Japanese electronics imports. The company is seeking the support of legislators for a measure that would impose a temporary, declining import surcharge starting at 20 per cent.

Othar semiconductor makers do not want to give the Japanage customers to buy in their markets closed to outadvance of their immediate siders. But if diplomacy does
needs. But another factor not work soon, the semiwhich is altering buying practices is the wave of enthusiasm claimed "economic war" with Japan could become a lot

Greece shifts to the left

MR ANDREAS PAPANDREOU. the Socialist Greek Pri Minisetr, took a number gambles when he decided a number of back a political unknown, Mr Christos Sartzetakis, in next Friday's presidential elections, rather than the conservative incombent, Mr Constantine Karamanlis, Mr Papandreou gambled that he could marshal, in addition to his own Pasok party, not only the Communists but also enough independents to have his candidate elected. That ought not to prove too

difficult.
It will be a good deal harder for Mr Papandreou to persuade the allies of Greece that the sudden change he has made lo the Athenian political mosaic has not ushered in a period of increased uncertainty about Greek foreign policy attitudes. What may prove hardest of all will be for Mr Papandreou to retain control over the shift to the Left which he has initiated by dumping Mr

The uneasy symbosis that Mr Papandreou and Mr Karamanlis had established was widely interpreted in Greece and abroad as a guarantee that tha Pasok government would in practice prove more moderate than its anti-Nato, anti-EEC and anti-American platform of the election in 1981 would have implied. That moderation is now

Unpredictable

Pasok hed undertaken to submit Greek membership of the FEC to a referendum which has never been hald. I'me formal reason advanced was that only Mr Karamanlis, as president, had the power to call it. The real reason is that the economic advantages of membership have become widely accepted in Greece. The mattar ought to be closed if it were not for the un-predictability of the Prime

Where Nalo and, more especially, the American allience are concerned. Mr Papandreou's Albens has blown both hot and cold. After threatening to close

down the U.S. military bases in Greece, Mr Papandreou eventually agreed to their remaining. Washington was clearly exasperated by Mr Papandreou's threats, though he rarely carried them into practice. But the Americans did maintain a measure of even-handedness in their dealings with Greece and Turkey. By dropping Mr Karamanlis, Mr Papandreou has risked provoking the U.S. into leaning towards the Turkish side in the disputes between Athens and Ankara about Cyprus and about the Aegean islands.

Mr Papandreou must have known that he wes running that risk. The question, therefore, erises, why ha decided to break his tacit elliance with Mr Kara-manlis almost at the last moment. The explanation appears to lie in the needs of Greek domestic politics. Parlia-mentary elections must be held this year and Mr Papandreou appears to have come to the conclusion that an opening towards the Left, rather than the Karamanlis connection, was most likely to help Pasok

By nominating Mr Sartzeta kis, who has a proven record of independence of mind, Mr Papandreou may have tried to keep the support of some voters to tha right of the Pasok main-stream. But the Prime Minister has decided that his chief hopes must rest on the Left. Political passions are strong in Greece; the civil war of the 1940s is not forgotten. The dictatorship of the colonels, ended in 1974, still arouses tempers. Washington's good relationship with the coloneis is not forgiven by the opponents of tha junta.

The breach between Mr Papandreon and Mr Karamanlis and the resignation of the lat-ter, threaten to stir up these and many other enmitles. Mr Papandreou will be bard put to keep in check the forces which he has released. The unpredictability which has cheracterised Greek policies is likely to be much increased.

misake. Last summer saw the release of en unlikely-sounding rock album called Ammonia Avenue, whose titla track hymns tha virtues of ICI's vast petrochemicals complex Billingham on Teesside.

believe, was tinged with a certain scepticism. It turns out to have been ill-founded. At lunchtime today, the song'a composer, Eric Woolfson, of the

group Tha Alan Parsons Project, will present John Harvey-Jones, ICI's cheirman, with a gold disc received for selling 500,000 copies of Ammonia Avenue in the U.S. Sales of the album around the world, says Woolfson, total to date some 2m. Given that Harvey-Jones put Woolfson on to the idea in the first place—when they met last year on a flight ecross tha Atlantic-ICI'a chairman might perhaps consider a career es a rock impressario when retires in two years' time.

Ammonia Avenue

It has been ICI's year, and no

He will, at any rate, be pleased to have his musical tastes so widely confirmed. He chose Ammonia Avenue as one of his eight records in a recent

Tying the threads

Enlisting a cartoonist to help fight a takeover battla could catch on if Tootal manages to beat off the unwanted atten-tions of Entrad, Abe Goldberg's Australian company.

The Manchester-based threads-

to-clothes giant, on of the big four of British textiles, last year commissioned cartoonist and illustrator Robin Ray (no relation to the actor) to drew some thumbnail sketches for its annual report showing how a mundana product like thread is woven into avery facet of everyday life.
"Thread is vitally important

to us—but terribly difficult to get across," Tootal explained. "So we went to Penman and Parinera, our London advertising agency, and they introduced us to Ray."

Men and Matters

Ray's sketches showed how thread is used in e diversity of products—tes bags, inflatable splints, bean bags, radar reflec-My report of this at the time. tors, tents and Jeans.

By chance, Tootal had already booked a "Get To Rnow Us Better." set of adverts in the newspapers this year. And when the Entrad bid came along, the cartoons were seen as an ideal way of telling the public about the company and fighting off the Aussies at the same time.

If last week's news is any-thing to go by, Tootal is succeeding. Entrad decided to extend its offer after the closing date last Wednesday as It had only received 1.09 per cent of

And if anybody wants to see both the and and the carbons, they should buy the FT on March 19. Tootal has the lot displayed in colour.

Geneva must produce more Geneva must produce more verblage than any other city in

burope. And its productivity looks likely to peak in June this year when the International Labour Organisation goes into a

22-day conference.
So a vote of thanks now to the
ILO veteran who is distributing
to delegates and reporters a list

of the phrases commonly used on such occasions—with their

Thus, "I would like to tell the Committee something about the practice in my country..."

tedious passage during which it is safa to doze or go for a beer.

Soma well-worn political tricks are exposed. "The latest evailable statistics show clearly

that . . . " means " the position bas changed drastically but you

can't prove it yet."
"No less than 13 firms in my lndustry have adopted this

signals the start of a long

Fine words

true meanings.

300 firms have rejected it. Diplomatic nuances are elaborated "We would much like to study the full text of the remarks..." means "We didn't understand a word of it." And "your suggestion is good in theory but it will never work in practice . . " means "it is absolutely right—but I'll get skined alive at home if I accept lt."
And finally, the time-honoured

way of cusuring that dinner does not go cold: "We would like an adjuonrument at this stage to give the Committee an opportunity to reflect overnight on this important question."

Steel billet

Bob Scholey, chief executive of the British Steel Corporation,



"I thought the make-up was terrihly good — the villian looked just like Lord Gowrie." now seems likely to take over leadership of Eurofer, the EEC steelmakers' association, much sooner than I expected. Scholey's European

leagues — highly impressed with his recent work on the EEC scene — would like him to succeed Jan Hooglandt, of Hoogovens, the Dutch steel group, as Eurofer's non-execu-tive president next month. systam successfully ... " almost certainly indicates that at least If, as I wrote last week, they

had decided to wait for Scholey, aged 63, to retire from British Steel first, they might have waited for a long time. Apparently Scholey has no

intention of leaving BSC in the foreseeable future. I am told he harbours ambitions of at least matching the record of hia predecessor, Ian Mac-Gregor, and remaining active until he is 73.

Eye-opener

Anybody still lending an ear to Cepital Radio et midnight last right will have heard a minor piece of advertising history—the first commercial by an optician, accords after such advertising became permissible. First Sight, with a "super store" in London'a Regent Street, aims to open a few eyes

to the advantages of privetisa-tion, with spectacles priced from £14.95 to £300, for the diamond-encrusted variety. Part of the American S & L Group, which makes its money from hair and beauty salons, First Sight operates departments in stores like Harrods and Dickens & Jones, and thinks that spectacles can be sold as fashion accessories.

As Roger Haslam, managing director, aces it: "Nobody wears the same pair of shoes every day —so why the same glasses?" One immediate problem facing the company, and its advertising agency, is how to marke the both spectacles and contact lenses—can you promote one product without knocking the other? No problem, however, about the advertising lingle—

I can see clearly now.

Observer

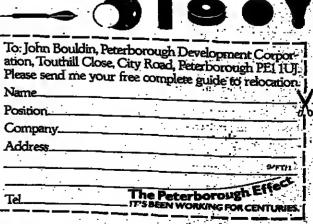
WHAT'S YOUR GAME? BUSINESS OR PLEASURE? People in Peterborough.

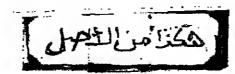
enjoy unrivalled sporting and recreational facilities. Among these are Peter-

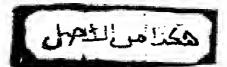
borough's 1000 metre Rowing Course, an Indoor Tennis Centre. 3 Golf Courses, and the largest Ice-Skating Rink in Britain.

The business opportunities and facilities are just as spectacular.

For your free complete guide to relocation, return the coupon, or call John Bouldin on-Peterborough (0733) 68931.







MR GEORGE MAGAN was sitting quietly in the audience on Friday avening as Sir Owen Green and Sir Michael Edwardes, chairmeo of BTR and Dunlop respectively, dramatically announced their agreement on what had previously been a bitterly contested takeover of the British rubber products

the British rubber products group.

Unassuming as he may have appeared, Mr Magan—a corporate finence director with Morgan Grenfell—had just helped pull off another aodacious coup. And the merchant bank, which has been advising BTR, had demonstrated again that it has become a redoubt-BTR, had demonstrated again that it has become a redoubtable fighter in the tough, booming husiness of takeovers.

The bank's corporate finance

Tha bank's corporate finance team, acting as financial adviser to some of Britain's most aggressive aod acquisition-minded companies, bas transformed a coce staid, old-school-tie image. Its extraordinary success underlines a new competitiveness in the City which will be accentuated by the changes now under way in the structure of London's financial markets.

Cosy relationships between merchant banker and corporate client can in longer be taken for granted. Banks are increasingly on the prowl for new custom, and in turn cannot count on the allegiance of long-time clients. long-time clieots.

Hostile takeover hlds have

become more common since the late 1950s, whan they were re-garded as ungentlamanly be-bavinur. In 1984, a record year bavinur. In 1984, a record year for acquisitions by value, Morgan acted for the aggressor in the three largest successful contested bids—Standard Telephone and Cables for ICL. Unliever for Brooke Bond and Dixons for High Street rival

This year, as well as BTR's bid for Dunlop, it is handling supermarkets group Dee Corporation's battle, still in the early rounds, for Booker McConnell. In four of these five cases, Morgan has found itself pitted against the defence of S. G. Warburg the merchant of S. G. Warburg, the merchant bank which acted for the first hostile bidder in 1958,

Despite Morgan's success and reputation, some of the fights in which it has recently featured have raised serious questions about the conduct of takeovers. Rough-and-tumble tactics are now naturally expected as a normal part of the game, but the very anthority of the referee-the Panel on Takeovers and Mergers-has sometimes seemed to be thrown into question in recent months.

In a tougher game, strategies are inevitably becoming more sophisticated. But the devices conceived by Morgan and its
clients have been seen in some
cases as over-complicated. And
the fact that Morgan Grenfell's
name, rather than that of the Junius Spencer Morgan — John
client, bits the headlines is a Pierpont Morgan's father — and

British merchant banks

Morgan Grenfell shakes up the City

By Alexander Nicoll



Graham Walsb—bead of corporate finance.

ate customers.

"The merchaot banking contestants may feel that, because they are treated like gladiators, they bave to behave like gladiators," says e company chairman who has been the winner in a contested takeover.

Morgan takes a different view. Mr Graham Walsh, head of the bank's corporate finance depart-ment, says: "It's false end naive to assume that the merchant bank dominates the client, especially when our clients include some of the most determined and aggressive individuals

some dynamic and original men—such as Sir Owen Green of BTR, Alac Monk of Dee, John Rithlat of British Land, Phillp Birch of Ward White, Sir Jeffrey Sterling of P & O and Sir Terence Conran of Habitat Mothercare.

That it should have such clients is no accident. For some five years, says Mr Walsh, "it has been our conscious policy to target the more aggressive, fast-growing companies that had decided to grow by acquisition."

For merchant banks, this was a revolutionary approach. "It used to be," says one banker, "that if you contacted a company chairman with an idea, his response would be 'Do I know you? Have we been intro-duced?"

its origins in London with 34 executives and a six-person Junius Spencer Morgan — John team responsible only for Pierpont Morgan's father — and dreaming up potential deals.

further worry to some corpor- as well as conducting the more conventional business of fund-ing American railroads, financed the beleaguered French Government with a £10m bond issue in 1870 when the Prussians were laying siege to Paris.

man who has been the winner in a contested takeover.

Morgan takes a different view. Mr Graham Walsh, head of the bank's corporate finance department, says: "It's false end naive to assume that the merchant bank dominates the client, especially when our clients include some of the most determined and aggressive individuals in business."

The bank does indeed ect for some dynamic and original to Paris.

Morgan began advising British companies after the Second. But the real push to prominence in corporate finance was begun largely at the instigation of Mr Christopher Reeves, chief executive since 1980, who also became chairman of the hank last year on the death of Mr Bill Mackworth-Young.

The early 1980s saw Morgan gradually building up its client list. As the numbers of take-overs increased — fuelled by stronger company balance sheets, fewer references to the Monopolies Commission and a bubbling stock market — its new policy paid off with a grow-ing number of large and well-publicised takeover bids by its clients. Among turning points which helped to boost the bank's profile and bring in more business were BTR's hid for Serck in 1981 and the same company's hard-fought takeover "It of Thomas Tilling in 1983.

> rum which naturally attracts new clients. It has also provided experience for the corporate finance team, which has nearly doubled in size over the past five years and now num-bers 110 people, including 14 directors, 16 assistant directors.

This has created a momen-

the ebility to crunch numbers at high speed, and consequently draws beavily on the accounting profession. Mr Waish, a quietly-spoken but determined 45-year-old, did not go to university and qualified as an accountant before becoming a merchant banker. (The heads of Morgan's £9bn investment division and its innovative capital markets division follow-

ed the same ronte). Because of the size and audacity of the hids they handle, and because they wage campaigns without pulling punches, some of Morgan's corporate finance directors have acquired reputations of their own. Mr Magan, 39, came to prominence in 1983 during the battle for Eagle Star when his client, the West German insur-ance company Allianz—unused to British takeover rules-clashed repeatedly with the Tekeover Panel.

Tekeover Panel.

Mr Magan, another accountant turned banker, objects to portrayals of him and his colleagues as aggressive. "We are not as aggrassive personally as many of our competitiors. There is no point in being aggressive—it does more damage than good. We tend to be decisive. Wheo we've determined what to do we push on with it." cisive. Wheo we've determined what to do, we push on with it."
Roger Seelig, 40, who helped Dixons to a victory over Currys, clinched in a dramatic two-day High Court hearing, says however that it is sometimes oecessary to he brutal with his own clients. "I really do sit people down and tell them the hlunt truth."
Morgan does not set out to

Morgan does not set out to cultivate the fame of individual

Corporate finance requires directors. Rather, it puts strong emphasis on a director and his team building up a close work-ing relationship with the top executives of client companies. International takeovers are

now Morgan's most promising growth area. In addition to cross-border deals, it has a growing mergers and acquisitions business in the U.S. and Australia. Morgan insists, however, that it does not borrow for UK use the bardball tactics employed ecross the Atlantic. It does not involve itself in the control of the contro does not involve itself in con-tested bids there, and strategies used in UK and US. takeovers in any case bear little relation to each other because in Britain, but out in the US., the last shareholder to sell must get as good a deal as the first.

Nevertheless, Morgan has been adopting increasingly intricate devices — too clever.

controlled shoe retailer. It would probably have succeeded if, in an already complex tendar nifar, there bad not been the added complication of a

Morgan client, has raised eye-brows when announcing its bid for Booker McConnell, hy say-ing that it had just sold Booker shares and might sell more. for Booker McConnell, hy say-ing that it had just sold Booker pound's decline might be end-shares and might sell more. This not only attempts to set awaited wave of British a limit oo Booker's share price, takeovers.

increasing its bid in the future.

Dee's originality exposed inconsistencies in the Takeover Panel's rules, and it is with the Panal that Morgan has recently been haviog some memorable confrontations in BTR's auda-

Dunlop's reconstruction proposals and take over the rubber products group itself.
BTR and Morgan bava complied only reluctantly with Panel rulings, and have come perilously close to disobeying. Asked on February 1 to state their voting intentions at e Dunlop shareholders' meeting, they sald: "BTR has not yat decided whether, and in what

On the same day the Pacel strongly criticised Morgan's offer document for Dunlop. Referring to a comparison of Dunlop abare prices, the Panel said: "Dunlop shareholders abould be aware that in the Panel's view this comparison has not yet been presented in an appropriate or belpful

manner, to vote its preference

Mr Walsh, bimself a former director-general of the Panel and a fervent supporter of the self-regulation which it em-bodies, is reluctant to discuss Morgan's relations with the Paoel, but says the belpfulness of the Dunlop comparison was "a matter of opinion."

Can Morgan maintain its position as the team in form? Although it added a large number of new clients lest year. some companies feel that its team is already so stretched by frenetic takeover activity that, In the words of one chairman they haven't got time to look up and see what might be done."
This could make the bank vulnerable to the very competi-tiveness which it has helped to

Corporate clients will be forced by the current "City revolution" to re-examine their relationships with banks and Nevertheless, Morgan has been adopting increasingly intricate devices — too clever, some would say, for its clients' own good.

Britisb Land recently failed with a technically brilliant stratagem — devised by Land's Devid Ewart — to acquire a large stake in Stylo, the family-controlled shoe retailer. It relationships with banks and brokers. Prominent corporate finance brokers, who handle finance brokers, who handle finance brokers, who handle finance finance brokers. Prominent corporate finance brokers, who handle finance brokers. Prominent corporate finance fi ettempt to fill the distributive role itself, but it could in any case, pick up clients who want their financial adviser to be independent of their broker.

high minimum acceptance level which actually resulted in fewer shares being tendered rather than more.

Dee Corporation, another than more.

Dee Corporation, another than more to handle the growing oumber to handle the growing out to ha of cross-border acquisitions, and would stand to benefit if U.S.

Lombard

Professions must compete too

By Michael Prowse

which was not even on the agenda in the 1960s and 1970s, is how much of human activity should be subject to the discipline of market forces. Some free marketeers make much of the need to wind down the welfare state and to introduce more competition into services such as bealth and education. It would be belpful if they con-centrated on a more obvious target: the privileges of the professions. Market economists did not shout loudly for an end to restrictive practices on the London Stock Exchange and it was a Labour MP who did most to break the solicitors' convey-

Entry barriers

ancing monopoly.

The need to expose the pro-fessions to normal competitive pressures ought to be one of the few issues on which Mrs Margaret Thatcher and Mr Neil Kinnock, the Labour leader, can agree. There is a growing inter-national awareness, transcending party politics, that the time-bonoured practices of many professions are no longer in the consumer's Organisation interest. The for Economic Co-operation and Development, for example, has recently argued the case (in its Observer magazine) for reform oo several fronts.

The first priority should be to dismantle entry barriers. By controlling entry, professional bodies artificially limit their numbers and earn monopoly profits. Studies in the U.S. show that entry restrictions do lead to higher fees especially (and unsurprisingly) where the profession itself exerts influence over licensing procedures.
Entry control is sometimes quite subtle, resting on a kicensed profession's ebility to set its own examination standards. In the UK, chartared accountacts' examinations, for example, have become much tougher in the past decade. It is oot clear that the academic demands of the job have sud-denly altered. But the very high failure rate oow imposed will restrict supply and pre-sumably sustaio accountants' high renumeration. The least

A KEY question for the 1980s, the Government can do is to license as many competing profassicoal bodias as possible. In 1982, Lord Cockfield, theo Trade Sacretary, set a poor precedent two small accountancy bodies seeking the right to audit public companies. It is equally important that

steps are taken in OECD countries to prevent professional bodies limiting competition between their own members. This is achieved in many formal and informal ways but governments can at least clamp down on the most egregious deviations from competition they can ban minimum fee scales and stop professions interfering with their members' wish to advertise. In the UK, some progress has been made on both fronts but the momentum must not slacken. Efforts should also be made to limit qualified practitioners' monopoly power by allowing competent para-professionals to perform routine aervices, It is clear, for example, in medical general practice that much of a doctor's work could be done (more cheaply) by less highly qualified staff.

Progression

The deeper question is why we need professions at all. There are law schools and medical schools but no "oil schools." Does the oil industry suffer because entry is not restricted to oewly-minted "oil professionals" with fancy latters after their names? Is it desirable that a ourse should remain e nurse for ever, bow-ever bright, unless she can afford to take seven years off to train as a doctor? Surely career progression in medicine, as in commerce, should be through a series of small steps over a working life and not pre-ordained by initial qualifications. It is hard not to conclude that professions are vehicles of privilege bringing undesirable rigidities and restrictions. Governments should seize every opportunity to knock down the

The price of petroi-

From Messrs I. Thorne and P. O'Byrne Sir.—Once again the oil com-panies use sterling's fall against the dollar as an excuse in raise

petrol prices. We find it impossible to be-lieve that multinational companies do not bedge their cur-Financial futures rency. Financial intures merkets offer, through traded npions, a cheap and efficient way to hedge. Unlike the traditional bank hedge, you do not sacrifice profits should sterling strengthen against the dollar.

On oil itself there are futures markets in London and New York, more instruments to enable oil companies to protect the interest of their customers. We look forward with interest to see petrol prices falling, when sterling improves against

Patrick O'Byrne.
Prescot Commodities,
15, Southampton Place, WC1

The case for Sizewell

From the Director of Strategic Studies, Central Electricity Generating Board

Sir,—Ian Hargreaves is mistaken io his article "Hard days ahead for coal" (March 4) when he says that it is clear that the CEGB's projections of electricity demand to the Size—

"Profit sharing: the link with jobs," George Copeman (March 1) makes a valid point. Mr Copeman is concerned that an economy-wide proposal mechanically to pay employees two-thirds of added value would like.

Letters to the Editor

well inquiry err on the side of | discriminate against the capital This is not so. Indeed the Board recently told the inquiry that in fact the electricty supply industry had increased its medium term demand estimates by 1 to 2 per cent in the light of trends since the Board's original projections to the in-

increase has strengthened the Board's case for building the pressurised water reactor (PWR) at Sizewell as soon as possible because it brings nearer the day when new capacity is needed to that future demand.

F. P. Jenkin. Walden House 24, Cathedral Place, EC1

Cash and profit sharing

From Professor M. Weitzman
Sir,—In his letter commeoting on Samuel Brittan's column
"Profit sharing: the link with
jobs," George Copeman (March
1) makes a valid point. Mr Copeman is concerned that an
economy-wide proposal mech-

intensive progressive firms and stunt their growth. He is absolutely right. But my proposal is not rigidly to prescribe two-thirds or any other magic fraction as a universal constant. Let the invisible hand of com-

petition and the visible hand of collective bargaining determine, in decentralised fashion, all such value-added fractions on a such value-added fractions on a company by company basis. Then, in fact, we would observe pay levels settling down to market rates with the more capital intensive firms paying lower fractions of added value and the least capital intensive. and the less capital intensive firms paying higher fractions. The important point is that

an economy of firms encouraged to pay out significant profit shares relative to base wages has strong built-in incentives to maintain full employment and high output while keeping prices low. And that situation is good for everyone-workers and

(Professor) Martin Weltzman. Massachusetts Institute of Technology, Department of Economics, Cambridge,

Effects of imports

From Mr A. Price .

Sir,-As we import more, so iobs go. Then the unemployed can only afford to buy chesp Far Eastern look-alike products and as they do, so more jobs go. It is a never coding downward spiral that can only be arrested artificially.

Birmingham and the Black Country is now a blackspot South Yorkshire is an industrial desert. Many consumer pro-ducts are no longer made in Britain at all, although some industries hang on by the skin of their teeth. Economists, whether of the Keynesian or monetarist persuasion seem to agree that import controls are not the answer, yet all countries of the world practise it in one form or the other. Even the U.S. does not hesitate to clamp down wheo sensitive industries are threatened. Yet Britain remains an importers'

playground.
On a selective basis, imports
must be taxed. We have to
get Britain back to work across the regions, sexes and age groups. It can only be done by a return to labour intensive and perhaps craft industry. It has to be done while the skills and crafts remain. It has to be done before the employable unemployed lose their will to work.

A. J. M. Price, Arthur Price and Co. Britannia Woy, Lichfield, Staffs

If my voice breaks. We have to think of RETIRING.

Five years ago, Mr Harry Phillips of West Felton, Shropshire, sang his way into history. Aged 96, he was reputedly Britain's longest-serving choir boy.

That same year, Britain's oldest major oil company (though still a year Mr Phillips's junior) had cause to sing out as well. After producing 100 million barrels of oil from its Beryl platform in the North Sea, Mobil was given the go-ahead to build a sister facility - Beryl B.

Four years and £400 million later, Beryl B was completed ahead of schedule and within budget. What's more, eighty per cent of the work had gone to British contractors and suppliers.

Today, in our centennial year in the UK, Mobil's two Beryl platforms are recognised as among the most efficient in the British sector of the North Sea, supplying the equivalent of about ten per cent of this country's oil needs.

So far as we know, Mr. Phillips's record for a capella accomplishments still holds. But, we're proud to say, our own achievements on the high seas don't go entirely unsung.

Funds for investment, industrial revenue bonds and employment

From Mr D. Jones

Sir.—It is frequently contended that because there are surplus funds for investment be demonstrated that such expenditure up to \$10m when it can be demonstrated that such expensions are such expensions and the such expensions are such expensions and the such expensions are such expensions and the such expensions are such expens there must be e shortage of UK investment ideas. This contentioo is a fallacy. The major problem is that in the UK it is ery expensive to finance new Typically an industrial project takes time to generate the

cash to satisfy lenders. lower the cash cost in early years the more easily can ao industrial project win through to maturity and high cash

As treasurer of a British multinational I have recently been raising finance in both the U.S. and the Netherlands. Both projects would not have been bankable in the UK. Both projec's will in their respective countries be both profitable and will geoerate employment. The difference is that in both the Netherlands and the U.S. there is freely evailable low-cost long-term finance. In the UK finance has a high cost and is not has a high cost and is not readily available in the long

It seems to me that considerterm form. able benefit can be derived from importing an American idea - the Industrial Revenue

be demonstrated that such expenditure will create employment. I have recently arranged for my company one such bond financing in North Carolina. Dollar funds have been obtained for a period of 15 years, the estimated project life. The present interest cast is 4.75 per present interest cost is 4.75 per cent which compares with dollar LIBOR at 9 per cent. U.S. Prime at 101 per cent and UK base rates at 14 per cent.

An industrial project with the benefit of such finance can easily be demonstrated to be viable. In cash-flow terms very little cash has to be generated in the early years and the project will have the chance of building to a matter business. building to a mature husiness wheo it can more easily generate the cash both to repay its initial cost and to grow further. The interest rate is so low hecause while the interest cost is tax-deductible in tha hands of the borrower it is tax-free for the investor. It seems to me that it is extremely difficult, given today's UK interest rates of 14 per ceot plus, for British industry to compete without the support of adequate low-cost, long-term finance.

An illustration of the effectiveness of this support can be gathered by comparing a U.S. with e UK financing. A 20-year (the equipment life) film project in the U.S. would use an industrial Reveone Bond. That cash cost would be ebout \$\frac{1}{2}\$0.000 per annum until year 20 wheo the capital would be repaid. The typical financing for the same project in the UK would be a five-year lease. Even assuming an interest cost of zero the cash cost would be a five-year lease. If both are taxpayers the effect is, at worst, tax neutral. The interest saving to the investor becomes taxable profit to the borrower and in addition there is the revenue generated from the new employment created. It is ironic that while typically the initial cost to the UK Revenue is eight times more than the UK would be a five-year lease. of zero the cash cost would be f2m per annum. It is the cashflow cost that kills business.

It is also interesting to look at the cost of the example to the respective revenues.
(Assume before the 1981 hudget as the effect of the last budget change was to increase the leasing industry's subsidy with tax relief at 45 per cent but subsequent income taxed at 40 per cent then 35 per cent). The initial cost to the UK Revenua is £5m. 100 per cent capital allowances on expenditure relieving corporation tax at 50 per cent. The initial cost at 50 per cent. The mittal cost to the U.S. Revenne is £600,000. Full interest cost of, say, 10 par cent in the hands of a 60 per cent taxpayar. This assumes that the investor is a taxpayar and the borrower a non-tax-

I would also question tha effectiveness of UK grant assis-

tance. Assume that our UK project henefits from a 50 per cent grant and the balance of £5m is leased. The initial cost to the Exchequer is now £7.5m but the cash cost of leasing for tha UK project is still double the U.S. for the first crucial A further benefit of the U.S.

system is that as the bonds are sold directly to the general public monetarists are kept happy because the issue of such bonds will not inflate the bank-ing numbers. This financing would seem to have considerable benefits for both economic growth and unemployment. 11, Deepdene Drive,

Dorking, Surrey

Mobil



FINANCIALTIMES

Monday March 11 1985



Michael Morgan on Wall Street

Pursuit of overseas bargains

THE STRONG presence rebuilt in overseas stock markets by U.S. investors during the second half of last year seems to be undergoing a squeeze, with currency conversion losses resulting from the continued strength of the dollar finally prov-

With European and Far Eastern share prices still cheap in dollar however, analysts are confident that the trend is set for another surge if tha U.S. currency eases back from the present high lev-

Advances in stock prices, which have taken many of the major European and Far Eastern markets to successive record highs in the past month, have in part been attributed to a continuing inflow of funds from American investors, using a strong

dollar to buy local shares cheaply. Some Wall Street analysts are sceptical thet much new money has been flowing out of the U.S. in recent weeks, however. They believ that the undoubtedly strong U.S presence in foreign markets might

be the result of aggressive switch-ing of existing positions.

Many of the shares that have done best are those in companies with already strong exports to the U.S., which have seen their competitive positions improved by the weakness of their local currencies.

The problem facing U.S. fund managers has been that currency conversion losses bave in many cases weighed against the attractions of a cheap new foreign investment. The difficulties are compounded by the short-term basis on which their own performance is judged, particularly against U.S. indices which have also been at peak

Mr Richard Watkins of Phillips and Drew International in New York said: "In recent weeks we have seen some regular purchasers simply stop because they were not pre-pared to go on taking the currency losses."

But once people believe that the rise in the dollar has peaked, it will provide a real trigger for a lot more

activity."
Mr Ullrich Moser of the West German-owned ABD International, which manages \$500m of investments mostly for U.S. pension funds, already sees signs of a pickaway from the large dollar-earning foreign stocks since the end of Feb-

ruary.
He expects total U.S. portfolio investment overseas in the coming year of about \$6bn, strongly biased towards equities.

Latest figures from the U.S. Trea sury on American investors' activity in foreign stocks cover only the first three quarters of last year. They demonstrated a marked change in outlook as the year prosed, with net sales of \$360m in the first balf being replaced by net purchases, totalling \$729m in the third quarter alone.

These figures may understate the case. The Securities Industry Association in New York said that while the Treasury figures were indicative of the trend, it did not necessarily believe they reflected the full magnitude of the investments.

Net purchases in all the major European centres picked up to \$37m in the third quarter from \$101m in the previous three months. Net purchases totalling \$82m in the Netherlands and \$46m in Switzerland in the third quarter reversed net sales seen in both countries in the previous period.

Purchases of French stocks rose

42 per cent to \$34m and net buying of UK stocks was up 10 per cent to

In Tokyo a net U.S. sell-off of \$423m worth of stocks in the first half of last year dwindled to net sales of \$50m by the third quarter. The agreement reached between London and Peking on the future of Hong Kong beyond 1997 provided the spur for net purchases in that

The increasingly international outlook of U.S. investors is demonstrated by a survey carried out by Grenwich Research Associates, ar independent research body. Of 1,000 pension funds it looked at 65 per cent of those with assets of more than \$1hn carried foreign investment on their portfolios by last year, compared with 26 per cent in

Of the smaller funds managing assets of between \$500m and \$1bn, 41 per cent held foreign investments by 1984, compared with 33 per cent a year earlier and 24 per

Mutual funds have also been making a foray into foreign share ownership. Fidelity, the largest pri-vetely owned mutual fund company in the U.S. with \$25bn under management, recently introduced its first retail fund based on overseas

The fund, launched about three months ago, has attracted \$5m from investors with the value of its holdings rising 10 per cent.

Union Carbide in talks over Bhopal settlement

BY JOHN ELLIOTT IN NEW DELH

TOP LEVEL talks have taken place between Union Carbide and the In-dian Government in New Delhi to see whether the U.S. company would agree to submit to jurisdic-tion in India and reach an out-ofcourt settlement for victims of the Bhopal gas disaster in which more than 2,500 people died three months

As a precantionary measure the Indian Government is finalising plans to file a lawsuit in the U.S. against Union Carbide on behalf of

Mr Ashok Sen, India's Minister for Law and Justice, said last night:
"We have to file in the courts in case the talks with Union Carbide

"We have a negotiating team of government secretaries (top level civil servants) who have met Union Carbide several times and we will always look forward to a good settlement out of court if that can be prepared to forgo litigation on the

"If the American company would submit to the jurisdiction of our courts here we might not have to go

The problem appears to be that while Union Carbide in the U.S. is also keen to reach an out-of-court settlement it is not prepared to agree that it, rather than its Indian subsidiary, is responsible for the disaster - 100 days ago tomorrow— in which more than 180,000 people were injured or suffered illness. It is not, therefore, prepared to submit to Indian jurisdiction.

Although compensation awarded by courts in the U.S. would almost certainly be much higher than in India, Mr Sen indicated that the major issue was the U.S. company accepting this jurisdiction, not the

ably be satisfied if the victims were

An award much higher than this for the Bhopal victims could upset

Top-level Union Carbide execu tives, led by a senior vice president visited India the last few weeks for the negotiations but do not appear to have made sufficient progress to satisfy the Indian Government, which last week was finalising plans to file a suit in New York to morrow. This pre-trial bearing of a series of suits filed by individual U.S. lawyers on behalf of the victims has now been postponed until April 16.

The Indian Government issued it the right to take over all litigation started by the victims and their relatives, and to file compensation

Bhopal immediately after the disasgiven compensation broadly in line ter and signed up thousands of with existing standards in the councilients are unwilling to give up the

Cautious UK budget expected despite scope for tax cuts

BY MAX WILKINSON, ECONOMICS CORRESPONDENT, IN LONDON MR Nigel Lawson, the UK Chancel-when he needs to restore City of lor of the Exchequer has scope for London confidence. tax cuts of between £1%bn and

budget next week, the City of London believes. But a strong consensus has emerged that he will need to be

£2bn (\$1.6bn and \$2.08bn) in his

very cautious about how much of this he decides to "give away." This is because the spending side of his budget arithmetic has come under strong pressure since his Au-

tumn Statement in November, with increases in debt interest and social security payments and higher costs for imported goods, particularly in the defence field. These rises, which probably add about £750m to expected spending

in 1985-86, have been more than offset by the effect of sterling's dereciation against the dollar, which has increased the estimate of North Sea oil revenues. This could add more than Elbn to his total tax

he believes the dollar will remain at could have 22bn to 224bn available its present high level. Since he has to "give away." said that the dollar is "overvalued," cord levels, especially at a time "give-away" at £1 bn to £1 hbn.

Apple hit

by severe

downturn

Continued from Page 1

(machines that sell for \$500-\$1000)

is bowever a bigger threat to Apple.
The eight-year-old Apple II, which sells to consumers, schools and very small businesses, is still Ap-

ple's major revenue generator. Ap-ple lost significant Apple II sales to IBM's PC Jr home computer over

the Christmas selling period, ac cording to Future Computing.

Apple executives complained last

For these reasons, almost all analysts expect him to present his budget on very cautious assumptions, and perbaps to give himself a margin for error by slicing back his estimate of public borrowing to a little below the £7bn assumed in his

However, the City still expects some overshoot of borrowing in 1985-86, according to an FT survey of 19 independent forecasts published today. This shows that the City consensus is that borrowing will slightly exceed the £7bn assurned in the Autumn Statement in mite of the £3hn reserve for con-

Nevertheless, there is a very wide range in the estimates of how much the Chancellor of the Exchequer has to give away. The National Institute of Economic and Social Research, at one extreme, believes he would need to increase taxes by The amount available to Mr Law- get of £7bn. At the other extreme, son depends crucially on how long the broker James Capel says he

In the middle of the range, the

Most leading City analysts men-tion the need for a cautious budget to restore a general confidence that financial targets will be met and that the rate of inflation will contin-

There is general agreement, how-ever, that inflation will be well under 6 per cent by the end of this year, in spite of the depreciation of sterling in recent months. The FT average of 19 forecasts points to an annual rate of 5% per cent, falling to 5 per cent by the end of next year. Even though the Treasury has

been more optimistic about inflation than outside forecasters, the fall of sterling and the rise in interest rate to 14 per cent will force it to raise its inflation projection to between 5 and 5% per cent for the fourth quarter of this year.

The rise in interest rates will probably also oblige the Treasury to reduce its growth forecast for 1985 from the 3% per cent predicted in its some £2%bn to hit a borrowing tar- Autumn Statement. Even though expected, the Treasury forecast is likely to move closer to the 3 per cent FT average forecast. Of this, about 1 percentage point of growth

it will be difficult for him to make London Business School and the represents the recovery from the tax cuts on the basis of its recent rebroker Phillips and Drew put the miners strike.

deal with China

BAe optimistic on

without the prize it really hoped to range of air and ground missiles. secure - an outline order for 10 BAe Clearance would be required from 146 passenger airliners. In spite of its failure to set up a deal that could be worth around the sale of potentially strategic

year that IBM was selling the PC Jr Chinese soon. pelow cost. Although IBM denied their charge, the company recently raised the PC Jr price by \$300 to about \$1.200.

Critics accuse Apple of ignoring its "cash cow" in favour of the more glamorous Macintosh. The public focus on Macintosh, with little attention for the Apple II, has led to lissention within the company and to the resignations of some execu-

World Weather

Apple's youthful confidence - the company's chairman, Mr Steve Jobs, recently turned 30 - and the consumer confidence that Apple's image engenders have been severely shaken by the announced temporary plant closures.

BY CHRISTIAN TYLER, WORLD TRADE EDITOR, IN HONG KONG BRITAIN'S HOPES of selling civers regions. Last year, BAs demonstrated the 146 on a tour of 13 cities kindled by a 10-day sales mission to including Lhasa in Tibet.

\$150m. BAe is now optimistic that it equipment to the Socialist counwill be able to agree a price with the tries.

cal leaders, including Vice-Premier Li Peng, as well as the state air- be bad any proposals from the Chiline's senior managers that the 146 nese to put to Mrs Margaret was too expensive, even after fur- Thatcher, the British Prime Ministher price concessions made last Yet it seems that the Chinese

or McDonnell Douglas aircraft. BAs claims there is no direct competitor vet for its short take-off 80 to 100-

The Chinese seemed keen to purchase an initial 10 aircraft with 1,000 kilometre optimal range for internal routes and small airfields, especially in the undeveloped west-

the country.

The group also discussed what the Chinese are calling "defence industrialists, including British projects." it offered Harrier jump Aerospace, arrived in Hong Kong jets, Hawk jet trainers, and its range of air and ground missiles. the U.S.-dominated vetting committee in Paris, CoCom, which licenses

Lord Young, Minister without The company was told by politi- portfolio and head of the UK mission, would not disclose whether ter, on his return to London this

Mr John Glasscock, BAs board showed no great preference for member for civil aviation, said that larger and possibly cheaper Boeing negotiations on the 145 would be rened "within a matter of weeks." "Interest which I know existed has been reconfirmed both at a

high political level and within the se national airline," he added. Apart from price, the aircraft ap-peared to have been widely accepted as meeting the airline's require-

Pipeline

Continued from Page 1

to \$200m investment partially fi-nanced by the World Bank to enable the oil companies to increase total production from the fields to around 50,000 bld from about 12,000

Production is being held down in these fields by transport difficulties. The crude has to travel by truck to the refinery in a five-day round trip over the Andes.

Techint, an Italian-Argentine concern, and Proteza, a Mexican company, for two lower segments of the pipeline.

Al-Fayeds pledge dedication to Harrods group

By John Moore, City Correspondent, In London

A REFERENCE to Britain's Monopolies and Mergers Commission would not deter the Al-Fayed family from pursuing its £615m (\$659.4m) bid for the House of Fraser chain of 102 department stores, including Harrods of Knightsbridge, Mr Mohamed Al-Fayed said at the weekend. He said: "We are here for ever

It is a matter of dignity. By the middle of this week Mr Nor man Tebbit, Trade and Industry Secretary, will decide whether the bid by the Al-Fayed family of Egypt should be referred to the

Ir Tmy Rowland, chief executive of Lonrho, the Al-Fayeds' rival in the battle for control of Fraser. wants the bid to be referred largely to gain time to mount his own campaign for Fraser. He has fought for control of the group for nearly eight years and is not go-ing to give up easily. Last week a flood of claims poured out of Lonrho's London headquarters about the Al-Fayeds' wealth.

Had the Al-Fayeds enough mone to make a bid without help from others? Was the Sultan of Brunei, one of the world's richest men, behind the Al-Fayeds? What was the true wealth of the Al-Fayed family and what was the nature of their business? Lonrho was lobbying the Department of Trade and Industry and the Of-fice of Fair Trading in a effort to persuade them that they ought to find out.

Bankers Kleinwort Benson, who are acting for the Al-Fayeds and have established that the family has the cash, were last week adamant on the point. There is no hidden hand behind them. On Friday Mr Ali Al-Fayed was equally firm. "We are not hiding behind any Liechtenstein trust." he Al-Fayeds have been described by their bankers as "collectors of

centres of excellence." Last November they took the first step in adding to the collection by buying the 29.9 per cent strategic shareholding in Fraser from Lon-rho for £138m. Their other principal centre of excellence is the paid \$30m in early 1978. Other centres extend to properties

with eye catching addresses such as the Park Lane apartment block, where where they live in London and which they own, as well as 75 Rockefeller Plaza in New York, and 154 Champs Ely-

They bought a rundown castle in Scotland, Balnagown in Rossshire, together with the estate. This has now been renovated and the estate is run as a working

Their banking interests are quite modest. Although they are de-scribed as major shareholders in National Bancshares Corporation of Texas, their stake is under 5 per cent and the bank itself is capitalised at \$160m. Mr Ali Al-Fayed is an adviser to the bank and also an advisory director of the Peoples Bank in Houston. The Al-Fayeds' plans for House of Fraser are vague. "We trust the management and we hope we can give them more belp," said

The brothers want to market the name of Harrods worldwide, appending the name to champagne, ice cream, crystal and other products to belp develop the business. "We have done this for the Ritz," said Mohamed.

Ali said "We have been asked what qualifications we have for run-uing Harrods and House of Fraser. So far we have £138m worth of qualifications."

The Al-Fayed brothers have a net worth of several billion dollars. according to Mr John McArthur, a Kleinwort Benson director. He said on British television last night that money had already been made available to Kleinwort Benson hy way of a Swiss bank in order to implement the Fraser offer.

French Right election gains Continued from Page 1

the European elections in Juna that reflects the recent climb in the public opinion polls of both President François Mitterrand and M Laurent Fabius, his Prime Minister. Yesterday's vote and the run-off

milestone before the parliamentary elections in March next year, which terrand's presidency.

The President has announced

that he will inject a dose of proportional representation into the parliamentary elections and he was waiting for yesterday's results to see how far to go. THE LEX COLUMN

Refurbishing the property sector

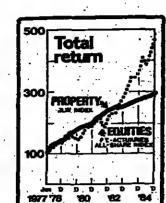
Time was, no self-respecting port folio manager of an insurance com-pany or pension fund would have had less than a quarter of his money in bricks and mortar. Yet institutional investment in property is now at its lowest since figures were first compiled. In 1983, 9.4 per cent of funds cash flow went into prop-erty - well under half that of 1974-and nine-months' figures for 1984 show an average of just 8.8 per cent. Most analysts believe that institutional involvement will never again reach the credulous beights of the early 1970s.

In a vicious spiral, property's dull performance bas increasingly re-pelled investors, causing the sector to fall still further behind alternative assets. As the chart shows, total returns from property have lagged the FTA All-Share index by a long way, especially in the last three years, and have even been beaten by long-dated gilts. Property shares over tha last year have climbed by only half the market av-

In the 1960s and 1970s, the coincidence of all the institutions piling into the market at once to reach their target investment in property was enough in itself to guarante good returns. Real estate was then thought to be the best hedge against inflation. When the crunch came, in the secondary banking crisis, property could not even pre-serve nominal values - just when inflation was reaching its most virulent phase. The introduction of in-dex-linked gilts in a period of falling inflation then provided a stan-dard investment which had, by definition, just the qualities of stability which property had failed to de-

Even though economic activity has picked up since 1981, employ-ment has not, so demand for both industrial and office space -- particularly outside the prosperous South East - is still very patchy. Rental growth has been non-existent or, at best, in low single fig-ures. Not only does supply still exwhere demand is strong; extra supply has been immediately forthcoming with the connivance of ratehungry local authorities.

In relative terms, property has had an impossible time trying to just match the return on gilts. Yet in theory, its illiquidity should cause it to yield more. Liquidity has become a preoccu



book value may be well-nigh impos sible, and even redeeming one uni of a property trust can take months. Though insurance companies profess to take a longer-term view, pension funds' performance is often judged quarterly. This has steep-ened the slope between prime and well-located properties, and run-of-the-mill industrial sites; the flight into quality has led to a polar-isation of yields, and the preference for liquid investments has intensifi-

Since investors have abandoned the fantasy of property prices on a permanent escalator, they have had concede that oversupply is as powerful a factor as with any other commodity. In what is now a tenant's market, the way to make money is to exploit underappreciated segments. Right now, these pockets of demand are primarily in modern city offices, out-of-town retail sites, some high-tech industrial properties (preferably in south-east England and near a motorway) and retail shops. The industry has learned some lessons from the America of

The problem for stock market investors is that many property companies' portfolios are not exactly overweight in fashionable niches; instead they are groaning with 1980s and 1970s office blocks which ceed demand in many areas, but are hard to rent. Their ratings reflect this: United Real Properties stands at a discount of over 35 per cent, while Wates City of London Properties, which owns 10 prestige City of London offices, trades at almost exactly its published net asset

that companies with the right properties in the right place at the right time can still attract investors. As pation among fund managers. Sell-ing an undesirable office block at property companies - which have holders should sit tight.

should become more attractions hands or partly shelle surance companies, who has ferred to invest directly and tate rather than see 40 io cent of their income go first to t

Floating properties off as companies as suggested by Gries on Grant, might just be the beauty of emicing institutions back at to the sector. If the budget contain a reform of capital gains take the ceivably a reduction to a ratio of per cent in compensation for a end of bond-washing - the probes market could gain a new

Dee/Booker

The Dee Corporation offer de ment is in some respects no than a codicil to the letter whi group sent its own shareholde

The 1984-5 profit forecast is appublished, complete with recondite accounting policies. On this ecosion the material fact that Dee has merger accounted the Internation Stores acquisition is relegated? page 28 of the listing particulars

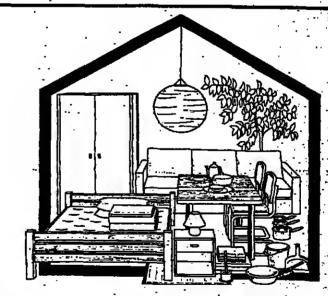
What is more, Dee states that the interim figures take no account of the IS purchase - which is true without mentioning that in the fullyear forecast they appear for both the first and second half years. At least Dee has set out at some

length its reasons for wanting to acquire Booker McConnell. The financial points are mostly provision al, since Booker has yet to disclose its full-year profits and its final divi-dend, which can be expected to reverse the income advantage on the Ordinary offer which Dee is legiti-mately enough claiming. Dee stands on firmer ground

when it makes comparisons be tween the track records of the two incremental profits which would be generated by combining the food distribution businesses

There is little doubt that Booker is a better-managed company thanks to the persistent attention of Dee Corporation and for that much Booker's own shareholders should be grateful. While Dee might have added a little yarn to its initial threadbare offer, however, it has provided no convincing argument for acceptance at this price.

For the moment, at least, share-



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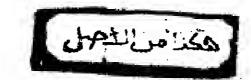
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expansion, (ik'spaenshen), n. a risky game that can be highly profitable. To maximise chances of success, move to Scumhorpe and gain major benefits. [C17: from New Latin expansum heavenly opportunity].

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SECTION II - COMPANIES AND MARKETS

FINANCIALTIMES

Monday March 11 1985



Demand for Ecu lending boosted by strong dollar

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT, IN LONDON

LENDING in Ecus, the currency on wh basket of the EEC, has become the lated latest fashion in the Eurocredit Oth market with at least three new deals surfacing over the past week

Bankers say the strength of the dollar in exchange markets has created fresh demand from European borrowers for Ecu loans be- son for the upsurge in Ecu business cause it is a way in which they can might be simply that those borrowlimit their exchange risk. Banks are ers who are now tapping the Euroincreasingly willing to meet this decredit market mostly happened to mand even though their inflow of be Italian. new Ecu deposits has not kept pace with the growth in loan volume.

One reason for this is that non-U.S. banks, too, suffer when the dollar rises. With capital denominated in a European currency and assets in dollars their gearing ratios suffer each time the dollar rises. Total assets expand without any extra business being put on the books, but capital does not rise to match.

Some bankers also argue that. Ecu lending creates an extra profit opportunity for banks with access to cheap customer deposits in one or more of the component currencies. This allows them to make up the basket at an overall rate below that quoted in the interbank market

EUROMARKET TURNOVER Turnover (\$m)

Primary Mariest
Straights Conv. U.S.\$ 2,692.9 129.6 1,550.9 203.0 Prev 2,740.8 123.3 258.3 724.5 Other 361.3 — 103.8 44.D

U.S.\$ 17,008.5. 904.8 17,630.0 1,396.1 Prev 12,079.1 830.9 9,741.1 1,787.4 Other 2,345.9 84.0 307.7 1,284.4 Pres: 2141.8 18.3 230.7 900.9

12,995.1 29,126.8 42,115.9 10,8828 17,252.7 28,086.6 2,348.5 2,182.7 4,581.2

on which Ecu loan interest is calcu-

Others say simply that the Ecu deposit market has recently been expanding rapidly, provoking new interest in Ecu business from banks of all nationalities, particularly the Japanese. This is hard to prove, however, and a more mundane rea-

source of funds.

not to follow the Euronote route

the market some bankers feel these

terms are a little tight, not least be-

debt. Last week the Bank of Greece

refuted OECD calculations that the

\$10.56bn. Greece's deal could, there-

liquid market still wants to be.

Among the new Ecu deals are: • An Ecu 200m, eight-year credit for Enichimica of Italy with a maryears rising to % per cent thereafter. This is led by Bank of Tokyo, Citicorp, Istituto Bancario San Paolo di Torino and Orion Royal;

• An Ecu 100m, 10-year credit for Nersa, the European nuclear power agency, led by Banca Nazionale del Lavoro, Chemical Bank, Fuji Bank and Sumitomo Bank. The margin starts at % per cent and rises after four years to % per cent;

● An Ecu 200m, 12-year deal for Italy's Autostrade led by Chase Manhattan and Istituto San Paolo. Terms on this deal are not being disclosed for the present as Enichimica's credit is still in the market.

Elsewhere, Citicorp'a announcement that it is to lead a £100m fiveyear credit for the Halifax Building Society met an immediate positive response in the market. Though neither Citicorp nor the Halifax would officially disclose the terms. other bankers say the margin is just 1/2 over sterling deposit rates with front-end fees of up to 13 basis points for lead managers willing to commit £10m.

One factor adding to the attraction of this deal is its rarity value. Building societies hardly ever tap the syndicated bank loon market and this is the largest deal ever. It may also be one of the last since the. INTERNATIONAL BONDS

A week dealers would rather forget

BY MAGGIE URRY IN LONDON

deny the pain the market suffered cent French floating paper. This along the way. There were few moments of brightness among the point selling concession. ing societies to pay interest gross to investors in the Eurobond market, opening up a new and even cheaper gloom, but Friday's strong raily in Cadbury Schweppes convertible the New York bond market, with issue, which closed on Friday This week should see progress on Greece's planned \$400m credit with potential lead managers being invit-

ed to Athens to discuss details with Wednesday morning had been the borrower. Greece has decided chosen by Portugal and opted instead for a conventional credit on which it is indicating margins of % per cent for the first four years rising to % per cent for the next four.

Despite the current liquidity in to be bid inside its % per cent fees. Friday was a good day for Credit Action Commercial de France to launch a Euroyen cause of Greece's rising foreign up between one-month and sixcountry's foreign debt stood at \$18.87bn, claiming the actual total at the end of last year was only fore, prove a test of how selective a

TO SAY that Eurodollar bond prices missions of 43 basis points, and a were little changed last week is to better yield for investors than re-

short-covering in the Euromarket, around 99%, was also a contender finished the week on a strong note. for deal of the week. But elsewhere nervous

wednesday morning had been another cheerful patch, holding an issue window open long enough for Canada to leap through with a \$500m deal. This "honey of a deal" sold rapidly that day. By Thursday it was suffering with the rest of the canada to the control of the coverhang of new paper which is looking more mis-priced by the day gave bond traders, accustomed over the last few months to falling the canada to the control of the coverhang of the co market, but it picked up on Friday yields, a week they would rather

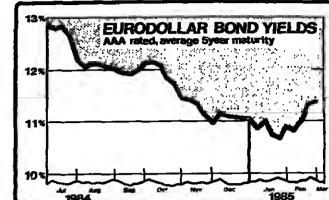
Action is expected soon in the convertible market. \$250m "mis-match" floater. With the Around 100 Japanese companies yield curve even steeper - the pick- have had permission to make such issues since April 1 last year. But a month London interbank offered 20 per cent withholding tax has derate (Libor) was I%, percentage terred borrowers. This is expected points - CCF will pay interest at the to be lifted by April 1 this year, and six-month bid rate (Libid) with a re- already issues are lining up to be fix monthly. The result is cheap launched prior to that date, though funds for CCF, adding in gross com- with a payment date after.

So far five issues have been rumoured - for Sony, Bridgestone, Fanuc, Nisshin Spinning and Sekisui House – raising a total of Y100bn. Bankers fear thet the rush of deals. and consequent oversupply of unsaleable paper, that followed the opening of the Euroyen straight bond market to U.S. corporates,

could be repeated with convertibles. One glimmer of hope is that companies will prefer to tap the domes-tic market, and securities houses there are offering lower coupons to top-rated borrowers who make their issues at home.

Philip Morris, the tobacco group, oved that well-known U.S. corporate names can do better than sovereign and supranationals in the Eurosterling market. Its deal came on slightly tighter terms than en's the previous week, but like GMACa and Amex'a was holding up well.

The continental European bond markets have not been immune from the gloom in Eurodollar



bonds, encouraging investors to sidered daring. switch into them, the outlook for in-

points over the week with some is-sues falling as much as % point on cent yield.

bonds. Although a weakening dollar Friday - a dramatic move in a marmight be good news for non-dollar ket where a ¼ point change is con-

The primary market has stayed terest rates is unsettling the mar- in business thanks to a smart readjustment of coupon levels. Friday Swiss franc bonds fell by up to 1% saw the launch of a SwFr 150m deal

8.934

Borrowers	Amount	Maturity	· Av. We	Coupon	Price	Lead Manager	Offer yield	Berrowers	Amount	Maturity	Av. Efe	Compon	Price	Lead Mapager	Offer yield
	pt.		Appre	%			46		M.	•	Asste	%			96
U.S. DOLLARS								SWISS FRANCS							
Kajima Corp. 5‡	40	2000	15	37/2	100	Morgan Stanley	3.875	Kurabo ked. **\$1	78	1990	_	13/4	100	Credit Suisse	1.750
Citizen Watch 5	58	2000	15	(3)	188	Mikke Sees (Europe)		Iseto Co. **51	50	1990	_	17/4	100	UBS	1.875
Newscort Mining 52	50	2818	191/2	81/2	188	CSF8	8.508	insatran Voins Cy 1	26	1995		6	100	Credit Suisse	6,000
Bank Arbeit & W (a) † ±	100	2000	15	Vis	100	Kidder Punbody		Juken Sangyo **\$	25	1990	_	(2)		Banca della Sviz. Ital.	0,000
Sumitoro Metal I	100	. 1952	7	187/2	181	Daiwa Europe	19.665	Fuji Co. **I	10	1990	Ξ	6	100	Bauca del Gottardo	6.000
Canada ‡	500	1996	5	111/2	188	Boutsche Bank	11.500	Niepon Hardboard **1	18	1990	_	6	991/2	Banca del Gottardo	6.119
LTCB Fig. 1	75	1990	5	12	180	tTCB Int.	12.008	Claysler Fig. Corp. **1	SA.	1993	_	63%	160	SBC	6.375
Cadlery Schweppes 5	38	2000	15	(8)	188	Kleigwort Beason		Copenhagen Hendelshk **1	20	1992		63/4	190	UBS	6.375
CCF 11	250	1997	12	Ø.	108	CCF	_	House Corp. "S	38	1990	_	(13/4)		SBC	-
U-MARKS			<u> </u>					Semitomo Heavy Ind.	100	1995		(8)	•	SBC	-
Zunchiku Co. 11	35	1998		27/-	400	manufacture structure 64		Stanley Electric **5	76	1980	Ξ	(1%)	•	DES	
Tsubakimoto Prec. 51	68	1998	2	31/s 31/s	100 100	Bayerische Vereinshk	3.875	EIB	150	1995	_	(6 mm.)		Krediethank, Gutzwiller, Soulitic	-
Toei Co. Ti	58	1998	5	31/2	100	Commerzhank BHF-Bank	3.125			,,,,,		(0 0000)		to on-property contratings, pounds	
Toyoba Co. 11	20	1998	2	374	100		3.875	STERLING			• • • • • • • • • • • • • • • • • • • •				
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N. A.	68	1993	•	4	108	Deutsche Bank	8.000	Philip Merris ‡	75	1995	10	11%	100	Lloyds Bank Int.	11,125
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SWISS FRANCS								ECIIs							
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Missin Flottric ** 11	58	1390	_	134	100	Credit Suitse	1.758								
World Real +	280	1205	_	2	100	1100	6000	HIVEMORING COANCE							

NEW INTERNATIONAL BOND ISSUES

Must you priced. I Freel turnes. ** Private placement. S Convertible. 1 Floating rate note. I Wide squity measures. (a) Vis over fire Liber. O At Sin Liber, unfixed monthly, psyable six-monthly, Note: Yields are calculated on AISO basis,

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February, 1985



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INTERNATIONAL CAPITAL MARKETS

gains could be due to special factors like the particularly

Fobruary in much of the country, many economists now

expect the industrial produc-tion figures, due on Friday, to

show a decline.
Whether these market "posi-

tives" are sufficient to sustain the rally this week is a matter

of great conjecture. Neverthe-less for the first time in weeks

advorse

weather throughout

U.S. MONEY AND CREDIT.

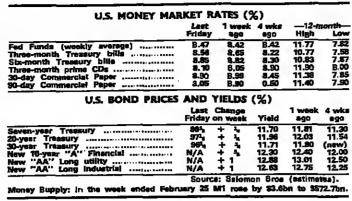
Rally ends a month of retrenchment

on Friday in response to a growing market conviction that the Fedoral Reservo Board's mone-tary policy may have ontered a stable holding pattern — at least for the time being — and thet economic expansion in the first quarter may not have been as strong as was foared.

After another week of highly volatilo trading, short-torm rates were little changed and the Treasury long bond, baving gained over 11 points during the final aession, onded three-quartors of a point higher. Ahoad of the Friday rally trading was again characterised by nervous price swings as the markets fellowed the fertunes

of the dollar. Prices plunged en Wednesday — aleng with

Concern eased on Thursday, hewever, as the dellar bounced back. Friday's rally was genor- pinned the sharp improvement



price and sent money market rates and bond yields soaring. Two principal factors under-

ally attributed to shert-covering in market sentiment on Friday. by traders rather than to any First, while the latest \$3.6bn real re-emergence of retail buysurge in M1 leaves the basic en Wednesday — aleng with the U.S. currency — after Mr real re-emergence ef retail buy-real velcker, the Fed's chairman, again warned Cengress— endod a menth of retrenchment that when the dellar which bad knocked mere than declines it would de so "very rapidly."

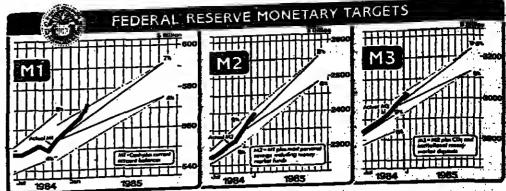
Thursday. Thursday. Tates and bond yields soarman above the upper end of the Fed's 47 per cent "parallel band" target range, it is expected to begin a seasonally-induced decline in the next But more importantly, the

markets focused on a sharp GNP growth (the flash GNP decline in discount window figure is due on March 21). borrowings in the latest state. Although the weak employment ment week which fell te \$419m from \$678m in the previous period. As a result many mar-ket economists revised their earlier view that the Fed had already begun a "tugging at the monetary reigns" suggesting instead that, as Dr Honry Kauf-man of Salomon Brethers, puts it, "monatary policy is now in a bolding patern."

Second, the markets looked past the 0.1 per cent dacline in February civilian unemploy-mont and saw that the latest Mr Philip Braverman of empleyment figures, released on Briggs Schaedlo, fer example, Friday morning, showed only notes, "The credit markets modest gains in everall employment and a sharp 0.6 heur efs major change in psychelogy
declino in the factory working that should load te a sizeable
week Indeed employment in the
further price improvement manufacturing sector actually fell last month—probably fell last month—probably reflecting the negotive impact of the dellar's strongth en the

domestic economy.

As a result, most economists began down-rating their esti-mates of February industrial production and first-quartor



throughout maturity Others, like Mr Frank Mastrapasqua of Smith Barney, point to re-emerging evidence of strains within the U.S. financial system—particularly the failure of ESM Government Securities last week, the problems of a growing number of savings

institutions, the

number of banks en the comp-troller "danger list," and the moves by the Fed last week to throw epen the discount window to hard-pressed agricultural banks—as reasons fer the Fed to dolay any early firming move. Mr Mastrapasqua says, "These banking difficulties "These banking difficulties combined with the streng dollar may well argue that the

menetary autherities are likely to maintain an accommodative would otherwise be the case." However most market analysis will be te tighten. What has changed is their perception of the timing of such a move

Paul Taylor

UK GILTS

Why Lawson should do a Howe

THE FOCUS of the gilt-edged market's attention is new firmly en the Budget. Will Mr Nigel Lawson's measures sbake the

Since the beginning of the year, leng gilts have moved within a trading range of four points, with ups and dewns largely mirroring the state ef sterling. Although there has been ne discernible trend in prices, the market has a firm undertene reflecting both the weight of institutional cash, and the belief that base rates are set to come down. If sterling helds up, the market is in the mood te ge better, provided that Mr Lawson strikes the right note en his macro measures, and eschews unsettling changes in the taxatien ef gilts, er ef institutiens investing in them.

The anti-bond-washing move twe weeks ag oquickly aroused the suspicien that the Chanceller was planning a majer change in capital gains tax. perhaps even its abolition. While broadly accepting the

have something up his sleeve, without quite knewing what. Some institutional investors liabla te tax (net funds) have virtually shut np shop until the Budget. They will want to see clarification of the Inland Revenue's delphic pronounce-ments concerning transitional arrangements for the new tax régime on gilts .

On the broader front, the gilt market is looking fer nothing less than a return to tight fiscal and monetary policy. As last year, the market wants to bear stern words about the continued anti-inflationary thrust ef the Government's policies, but it wants them to be matched this time by actiens. Fer Mr Lawson to ge ta very faveurable re-sponse fro mthe gilt market be was "do a Geoffrey Hewe" and visibly tighten fiscal pelicy, abandoning tax cuts and instead using all spare headroom to reduce the public sector borrowing requirement (PSBR). This would imply a figure of £6bn or

This is not, however, what the immediate denials from official market thinks is likely, and it sources, the market remains uneasy that the Chanceller may as acceptable, provided that the

restrictive projections for public expenditure, nor en eptimistic views about oil revenues. A beefed-up programme ef asset sales, or a clever fiscal ruse such as last year's accelerated pay-ment of VAT en imports, would go dewn like a lead balloon.

The Chancellor's higgest problem is over aterling and in-There is little that he can do directly about sterling, but the gilt market will want him te scotch the idea that he is indifferent te its level, and to do what be can in the structure and presentation of his Budget measures te ensure a favourable response from the foreign exchanges.

In part, this will depend on what he can say abent inflation. The latest efficial assumption of 44 per cent fer the coming fiscal year locks toe low in the light of the pound's weakness. The market could swallow a much higher figure, provided that it can believe that the trend thereafter will be downwards.

If Mr Lawsen does not deliver

assumptions behind it were net an ultra-fight fiscal policy te enly plausible, hut conservaensure this, then he must de tivo. In ether words, they something about monotary sheuld net rely en ambitieusly pelicy. Unfortunately, shert ef putting up interest rates again (which the market would not like) he only bao gestures at his disposal. Nevertholess, he should make thom. He could lewer the target range for ster-ling M3, either get rid ef or demote M0 (the butt ef many a City joke) and hring back PSL2 (the broodest measure ef private secter liquidity including building society deposits) as

> In the past, the Budgot has eften been the occasien fer changes in base rates. Bet the gilt market approaches this Budget in a continuing state ef anxioty about storling. The market would be more impressed with Mr Lawson if he strengthened the case fer base rate cuts, but left them as an attractive prospect en the herizon, to be realised as and whon conditions permitted, than if he pushed for an immodiste reduction to sweeten an otherwise stern

a target variable.

Roger Bootle Capel-Cure Myers

FT/AIBD INTERNATIONAL BOND SERVICE

expanded



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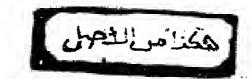
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March 11, 1985



INTERNATIONAL CAPITAL MARKETS AND COMPANIES

CORPORATE FINANCE

Rothschild unveils novel Blagden package

THE PROBLEM: a U.S. company wants to sell its European its shares which can freely be the best possible price Its IIK will rise threefold. the best possible price. Its UK associete wants to buy tha business—but is not nearly big enough to finance a takeover on this scale in a conventional way. The solution: a novel and highly complex transaction unveiled last week by merchant banker. N. M. Rothschild.

City Investing, a U.S. conglomerate which is in the process of winding itself np, has placed its 34 per cent shareholding in Blagden Industries of the UK on the London Stock Exchange, and is going to sell its strategic shareholding in Blagden could not hope to raise enough money by a normal rights issue, some way thad to be found to prevent its existing.

(\$27.7m). Blagden, which bas a current stock market value of just £18m, opportunity presented the will be transformed by the deal. these new shares to built its sales will jump from £72m big stake in Blagden.

losses and in its stagnating domestic appliances / personal-

care products sector.

A total of Fl 725m (\$188.8m) was charged against operating income last year for e "major restructuring" of these two sectors, according to Philips' report for 1984. One area that is likely to come under the

likely to come under the

a controlling interest. As many as 5,000 jobs—more than a fifth

be shed in an effort to reverse

a share, in 1983.

Grundig's workforce may

BY OUR AMSTERDAM CORRESPONDENT

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Morgan Grenfell & Co. Limited

Nomura International Limited

Crédit Lyonnais

Enskilda Securities

IBJ Asia Limited

Bank of Yokohama (Europe) S.A.

company in which Philips has noted his dissatisfaction with a controlling interest. As many the 2 per cent profitability ratio

of the UK on the London Stock Exchange, and is going to sell existing sbareholders being in continental Europe to Blagden for at least £25.8m (\$27.7m).

Diagdon which has a great the might otherwise saize the who might otherwise seize the opportunity presented by all these new shares to build up a

Major restructuring for Philips

PHILIPS, the Dutch electronics giant is to make sweeping changes in its home electronics divisiona following continuing losses and in its stagnating losses and in lts stagnating losses and in lts stagnating losses and in lts stagnating losses are recorder, which followed a F1195m trading loss than suffered healty in compating loss of the suffered healty in company eventually would take sizeable writers of the suffered healty in company eventually would take sizeable writers are suffered healty in company eventually would take sizeable writers are suffered healty in company eventually would take sizeable writers are suffered healty in company eventually would take sizeable writers are suffered healty in company eventually would take sizeable writers are suffered healty in company eventually would take sizeable writers are suffered healty in company eventually would take sizeable writers are suffered healty in company eventually would take sizeable writers are suffered healty in company eventually would take sizeable writers are suffered healty in company eventually would take sizeable writers are suffered healty in company eventually would take sizeable writers are suffered healty in company eventually would take sizeable writers are suffered healty and the suffered healty in company eventually would take sizeable writers are suffered healty and the suffered healty are suffered healty and the suffered healty are suffered healty are suffered healty are suffered healty and the suffered healty are su

tion from rival formats. Some consolidation among Philips' seven European television

seven European television plants is possible, although the Eindhoven-based company bas declined to elaborate on its

figures before March 26, when

Reaching other parts boosts Heineken

HEINEKEN, the Dutch brewer, turnover to foreign acquisitions cent stake in Sogebra, e joint-

achieved a 16 per cent increase in profit to FI 229m (\$59.6m) or Fi 11.90 a share, last year compared with FI 198m, or FI 10.30 in 10.30 i

for the first time, surging by under Dutch hands. In Europe, 34 per cent stake in Inter33 per cent to FI 6.135bn. Heineken sims to establish its
Heineken, which claims to the beer as a regional brand.

most international beer in the last war the head of the last war the last

most international beer in the Last year the Amsterdam- The 1984 dividend world, attributed the sport in based company took a 51 per unchanged at F1 3.50.

video cassette recorder, which followed a F1195m trading loss in 1983 caused by sharp price tion from rival formats. Some competition, sluggish growth in

taking minority shareholdings in ket. It also ecquired e 30 per local companies and increasing cent share in El Aguila, the

These Notes baving been sold, this announcement appears as a matter of record only.

Oil and Natural Gas Commission

U.S. \$150,000,000

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Guaranteed by India

Acting by its President

Merrill Lynch Capital Markets

The first stage of the transsherea will be sold by tender e distinctly dull earnings record ection came last week, when at a minimum of 112p. The price But the shares are being offered City Investing's shares were will be the highest at which the on a price-to-eernings retio of placed with roughly e score of tender offer is covered by only eight and with a dividend placed with roughly e score of tender offer is covered by only eight and with a dividend UK institutions at 112p e sbare.

That represented a discount of about a tenth on the market price, but the U.S. company epplicants for the tender will net assets per sbare, and the bender will net assets per sbare, and the bender will net assets per sbare, and the price, but the U.S. company hopes to claw some of this back through the second stage of the

To pay for the European companies, Blagden is banding over £9m in cash and nearly 15m new sbares—which Rothschild is going to offer for sale through a combination of a fixed price and a tender offer. In this package, 9m shares will be offered at a fixed orice of 112p, and existing share-holders who want to apply will

at least three shares for every 10 beld. Now comes the tricky The remaining . 5.95m new

traditional products, and high

start-up costs for new products. Last year, sales outside the U.S.

venture with Brasseries and

market were almost static. Philips bas expressed concern

be guaranteed an allocation of

bave their bids put into the pot for the fixed price offer.

The idea is that if the market likes the look of the wbole package. City Investing will get some of the benefit. The number shares on which it stands to get any premium in the tender the sbareholding in Blagdeo which it sold last week. which it sold last week.

By limiting the size of the tender offer, Rothschild has reduced the risk of a would-be bidder building up a big stake by offering a high price.

This is all very fancy stuff for a company which is in an unglamorous business and bas

net assets per sbare, and the deal does nothing for earnings in the short term. But they are promised that their company will be turned into e major European force in its industry, with a greatly strengthened

competitive position.
Rothschild comes out of it very nicely. It is making a turn of 3p per share on the offer for sale, out of which it has to pay underwriting commissions of roughly lip per share and some marketing expenses. It is also arranging a loan facility of £9m to cover the cash part of the

Richard Lambert

Publications buys New Yorker By Terry Dodsworth in New York

Advanced

THE NEW YORKER, one of the most infinential literary magazines in the U.S., is being taken over in a \$167m agreed cash bid by Advanced Publications, a broadly-based publisher of books, period-icals, and newspapers.

The deal has come after a month of talks during which New Yorker shareholders forced up the offer price from \$180 a share to \$200. Advanced Publications already had a 17 per cent stake in the magazine, while Mr Peter Fleischman, the son of the founder, had 25 per cent.

According to the New Yorker, the merger agree-ment says that the magazine will be allowed to continue ta operate an an independent basis as a separate company. The jobs of current employ-

Advanced Publications is owned by Mr Samnel Newbouse, whose expanding stable of publications includes Vogue, Mademoiselle, and Vanity Fair, along with Random House Books and 29 newspapers.

One of the main attractions of the New Yorker, which made net profits last year of \$5.6m, will be its subscription weekly circulation of just over 500,000, and has the reputation of being read by many of the most influential people in the country. It also controls a Colorado printing company.

NEBB growth

Neigh growth

Norsk Elektrisk & Brown
Boveri (NEBB), Norwegian
subsidiary of Switzerland's
Brown Boveri, is paying a 14
per cent dividend, for 1984,
compared with 12 per cent
for 1983, writes Fay Gjester
in Oslo. This follows a 25
per cent increase in profits to
NKr 75.7m (\$7.8m) before
extraordinary items. Turnover rose 11 per cent to
NKr 2,032m, of which experts
accounted for NKr 246m. accounted for NKr 246m. Further growth is forecast

this year, reflecting the company's successful policy of widening its product range.

Orders in hand at the end of 1984 were worth NKr 1.2bn.

INTERNATIONAL APPOINTMENTS

Harwood resignation shocks Signetics

BY LOUISE KEHOE IN SAN FRANCISCO

poration, the Silicon Valley semiconductor manufacturer shown in the electronics industry as a champion of product quality as a champion of product quality.

Signetics colleagues. Mr Harwood is well known in the electronics industry as a champion of product quality.

Signetics are seeking a new president for 14 rooms. company president for 14 years. Mr Harwood led Signetics through the turbulence of the semiconductor market's volatile cycles earning the company e

reputation as one of the most stable in the industry. Originally eppointed by Corning Glass, then owners of Signetics, Mr Harwood took the company public in 1973 and remained president when Signetics was acquired hy Philips in 1975. The company's revenues have grown dramatically over that period from \$34m in 1970 to \$720m last year.

Mr Harwood has announced that be will be leaving Signetics on April 1 to found a venture called Quality Improvement

EXECUTIVES of Signetics Corwith two former Signetics col-poration, the Silicon Valley leagues. Mr Harwood is well

Mr Harwood's departure will "bring changes, but not prob-lems" to Signetics, he said.
"Change will be good for Signetics," he believes.
Others are less sure. They fear further executive defections

following Mr Harwood's resignation. Following record earnings last year Signetics employees earned substantial bonuses ranging from a reported \$500,000 at the top of the company, to several thousand dollars for most employees. The bonuses could provide executives with the opportunity, if enter the ranks of Silicon Valley entre-preneurs. Already Mr Harwood's il 1 to found a venture second-in-command has chosen Quality Improvement this route.

Malaysian central bank names new Governor

BY WONG SULONG IN KUALA LUMPUR

Datuk Jaffar, 53, currently bouse Malaysia, xecutive chairman of Malayan Tan Sri Aziz bas been with

DATUK JAFFAR Hussein is to successor to Tan Sri Aziz, who take over as Governor of Bank bad fought hard to retain the Negara, Malaysia's central bank, integrity and independence of from Tan Sri Aziz Taha, who Bank Negara. He bas earned resigned over major differences high regard during his three with the Ministry of Finance on the management of the Malayan Banking and preeconomy.

executive chairman of Malayan
Banking, the second largest
bank, will take over on June 1.
Bankers feel be is e suitable
Tan Sri Aziz bas been with
Bank Negare for 16 years, and
has been Governor for the past
five and a balf years.

Canadian Senator joins Bank of British Columbia

Mr Jack Austin, a member of for the Federal Government's the Canadian Senate, bas joined
Bank of British Columbia as
president of the international
division, with a brief to expand
the bank's Hong Kong and
London operations.

We have the president of the transformation of the international
division, with a brief to expand
the bank's Hong Kong and
London operations.

We have the president of the rederal covernment's
participation in Vancouver's
government and business missions to Asia, and his main task
at Bank of BC will be to boost
the presence there is covernment's

in benking after bolding various don operations, consisting at posts in the Trudeau Government. He took responsibility office.

London operations.

Mr Austin, e 52-yeer-old lis presence there. He will elso lewyer, is taking his first step be looking to expand the Lon-

ANR meeting to consider

ways to fight \$2.3bn bid BY OUR NEW YORK STAFF

AMERICAN Natural Resources it has described it as "entirely (ANR), the Detroit-based oil inadequate," and its repsonse and natural gas company, bas indicates that it is preparing an scheduled a board meeting for elaborate takeover defence. today to consider a variety of proposals designed to fight off variety of alternative actions the \$2.3bn takeover offer from used by American companies Coastal Corporation, the Texas to avoid a hostile offer. These

over the lacklustre performance of its domestic appliances and is likely to come under the it plans an announcement. of its domestic appliances and scalpel is Grundig, the West Mr Wisse Dekker, president, personal-care products division. German consumer electronics bad lauded the 1984 results but where markets are largely The Detroit company said in a filing with the Securities and Exchanges Commission that one saturated. Trading profit fell by 6 per cent to F1429m in 1983. obs—more than a fifth
dig's workforce—may of sales. The aggressive Mr e West German household in an effort to reverse Dekker has declared a goal of appliance company, was the only 5 per cent profitability for his company, which would top rival year. which the company's equity would be acquired both by present management and an un-

ioclude seeking a merger with a friendly suitor, a share buy-back, or a sale of its own assets

It also says it is considering of the moves under considera- a "material change in the pre-tion was a buy-ont plan under seot capitalisation or dividend policy of the company reference to the practice of changing the financial structure identified third party. of e company under attack so Although ANR has not form- that it becomes prohibitively ex of e company under attack so ally rejected the Coastal offer, pensive to buy.

The SEC filing mentions a

Rinascente earnings ahead

BY ALAN FRIEDMAN IN MILAN

LA RINASCENTE, one of sions and paid L11.4bn in taxes

The profits rise was struck on outlets. total sales of L2,064bn an increase of 13.8 per cent on which controls the Fiat indus-1983. Before striking the net trial group, bought 48.7 per cent profit level, Rinascente had of Rinascente, giving it effec-1.23.1bn in depreciation provi- five control.

Bank America Capital Markets Group

BOT International (H.K.) Limited

Dresdner (South East Asia) Limited

Fuji International Finance Limited

EF Hutton & Company (London) Ltd.

Mitsui Finance International Limited

Sanwa International Finance Limited

Kuwait International Investment Co. s.a.k.

Indosuez Asia (Singapore) Limited

Morgan Stanley International

Westpac Banking Corporation

New Japan Securities Europe Limited

Nippon Kangyo Kakumaru (Europe) Limited

Takugin International Bank (Europe) S.A.

Orion Royal Bank Limited

Italian International Bank Plc se dei Paschi di Siena Bankina Group)

Saudi International Bank

Yasuda Trust Europe Limited

Crédit dn Nord

Banque Nationale de Paris

Hambros Bank Limited

Crédit Commercial de France

Rinascente owns 14 depart-ment stores in Italy and Italy's largest retailing groups. Rinascente owns 14 depart has announced a 15.8 per cent ment stores in Italy and rise in net earnings, to L59.1bn interests in supermarkets, do-it yourself centres, and fast food

Last year the Agnelli family,

All of these Securities have been offered outside the United States. ment appears as a matter of record only.

New Issue / February, 1985



U.S.\$100,000,000

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BankAmerica Capital Markets Group Banque Nationale de Paris Berliner Handels- und Frankfurter Bank **Chemical Bank International Limited County Bank Limited Daiwa Europe Limited** Goldman Sachs International Corp. Kidder, Peabody International Limited Merrill Lynch Capital Markets The Nikko Securities Co., (Europe) Ltd. Orion Royal Bank Limited Union Bank of Switzerland (Securities) Limited Wood Gundy Inc.

Morgan Guaranty Ltd **Bankers Trust International Limited**

Banque Paribas Capital Markets Chase Manhattan Capital Markets Group **Citicorp Capital Markets Group** Credit Lyonnais **Enskilda Securities Manufacturers Hanover Limited** Samuel Montagu & Co. Limited Nomura international Limited Société Générale de Banque S.A. S. G. Warburg & Co. Ltd. Yamaichi International (Europe) Limited

State Bank of India

Mitsubishi Trust & Banking Corporation (Europe) S.A.

Advisers in India to the Managers DSP Financial Consultants Ltd.

Advisers to the Issuer

Banca Commerciale Italiana

Saitama Bank (Europe) S.A.

Yamaichi International (Europe) Limited

Daiwa Europe Limited

Mitsubishi Finance International Limited

Sumitomo Finance International

February 1985

Three UK-based plantation companies in agreed merger

THREE UK-BASED plantation companies with interests in Indonesia have agreed to a marger, creating a group with three developed ruhber and cocoa estates and net assets of The three companies are:-

The three companies are:
Angio-Indonesian Corporation,
Piantetion & General Investments
and REA Holdings, which is a
subsidiary of International
Investment Trust Company of
Jersey. They will transfer their
Sumatran plantation interests to
a newly incorporated company,
Angio-Eastern.
They said that the merger had
two principal aims. One was to

create a plantation group with a better balance of products, and between mature and immature areas, than any of their indi-vidual interests. The other was to provide an asset base sufficient to complete with maximum efficiency the clearing of a new palm oil plantation in the Tasik

BUAKU N	1 SE
Interims: Land Investors, London Chop Property Treat, Microfilm Reprographics, Parker Knoll. Finals: L. M. Ericoson (Telefonskiebolaget), Oregge, Highlonds and Lowlands, Low and Bonar, Phicom. TR Pacific Basin Investment Treot, T & S Ctores. PUTURE DATES	Bairatov Camellia Cenning Clifford Delanay Higgs of Highero House Londa Jones Needler
Blue Bird Confectionery Mor 27 Caltic Havan Mer 16 Manufera (John) Mar 20	Noble a Petrano Pitterd Queena

sterling equivalent of \$7.5m for sterling equivalent of \$7.5m for development purposes. This will be by way of an offer for subscription, principally to shareholders of Anglo-Indooesian, P & G. REA and IIT. At the same time, an application would be made to the Stock Exchange for a lifting for Anglo-Exercise.

merger, REA would have a 52 per cent stake in Anglo-Eastern, with Anglo-Indonesian holding 33 per cent and P & G 15 per cent. However, Anglo-Indonesian and P & G would subscribe to the share offer with a view to increasing their combined interest in Anglo-Eastern to a similar level to REA.

Yarrow rises to £578,000

Yarrow, the marine engineering consultant and manufacturer of control systems, achieved balf-year taxable profits of £578,000 compared with £405,000 in the

corresponding period.

And the board is confident that the level of group profit will be at least maintained in the second half—taxable profits for the 1983-84 year amounted

The interim dividend for the six months to end-December 1934 is being beld at 2.5p per 50p share. Stated earnings rose

strategy remains to support successful subsidiaries and to seek suitable opportunities for expansion." Last month, Yarrow

orresponding period.

And the board is confident hat the level of group profit vill be at least maintained in he second half—taxable profits or the 1933-84 year amounted of £1.61m.

The interim dividend for the six months to end December 1994 is belng beld at 2.5p per 1994 is belng beld at 2.5p per 1994 is belng beld at 2.5p per 1995 share. Stated earnings rose 2p to 8.5p.

Sir Eric Yarrow, chairman,

company's future the company's case late this

Sir Eric says YARD had a particularly successful half year but Control Systems experienced a downturn in business both in the UK and overseas. The business and assets of Automatic Revenue Controls have been disposed of and pro-vision bas been mads for

remaining costs. Group turnover amounted to fil.04m against £10.3m. The tax charge was £236,000 (£144,000), leaving net profits of £342,000 (£261,000).



Sheafbank Property Trust PLC

1,000,000 6% (net) Cumulative Convertible Preference Shares of £1 each

To be Authorised

71/2% Cumulative Preference Shares of £1 each 40,000 1,000,000 1,000,000 6% (net) Cumulative Convertible Preference Shares of £1 each.
2,300,000 - Ordinary Shares of 10p each. 1,464,943

Application has been made to the Council of The Stock Exchange for the admission of the whole of

Application has been made to the Council of The Stock Exchange for the admission of the whole of the issued 6% (cet) Cumulative Convertible Preference States of £1 each to the Official List. A proportion of these shares is available to the public through the market.

Subject inter alia, to shareholders' approval at the Extraordinary General Meeting to be held on 15 March 1965, the shares will be issued for cash to finance the cash element of the consideration for the acquisition by Sheafbank Property Trust PLC of the Grange Industrial Estate, Southwick, Brighton, West Sussex and certain associated costs, details of which are contained in the Listing Particulars referred to below.

Listing Particulars dated 20 February 1985 are available in the Extel Statistical Service and copies may be obtained from the Company Announcements Office of The Stock Exchange up to 13 March 1985 and from the following during usual business hours on any weekday (Samrdays and public holidays excepted) up to and including 25 March 1985.

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Sheafbank Property Trust PLC

Heare Govett Limited

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Heron House 319/325 High Holborn London WC1 9PB

11 March 1885

and to be

Alliance Trust asset value jumps 189p

IN THE year ended January 21, 1985 the Alliance Trust has beaten its estimate of earnings share has risen by 189p to 574.4p at the year end. The weak-ness of sterling has been bene-ficial, the directors say.

ness of sterling has been beneficial, the directors say.

Earnings came out et 17.65p per share, compared with 17p forecast and with 13.73p achieved in 1983-84. And the final dividend is 12.25p, which lifts the net total from 13.5p to 17.25p.

Of the company'e assets 62 per cent are overseas, including 50 per cent in the U.S.

New investment in America has favoured large, well capitalised companies in electronics, bealth care and food products, while sales have been made in the oil and banking industry.

In the UK net sales amounted to 59m, mainly in electronics and defeoce companies. A large part of the 38 per cent of assets held in the UK relates to companies with international operations.

The 28 per cent lift in assets of the 28 per cent li

The 28 per cent lift in earnings reflects the combined effects of rising dividends, falling corporation tax, and the enhanced value of overseas income as sterling depreciated. The average rate of exchange on U.S. dollar income was \$1.31 (\$1.51 last

With another 5 per cent reduction in corporation tax this year, "it would take a very strong sterling recovery to thwart the prospects of further earnings growth," the company claims. Gross revenus for 1984-85 rose by £2.5m to £15.55m, while the net revenue available was up from £8.92m to £8.9m.

Mercantile Credit profits

Mercantile Credit, the finance house subsidiary of Barclays Bank, lifted pre-tax profits to £84.3m in 1984 — almost double the previous year's £33.42m. The record result reflected an

accounts reveal that during the year an ex-gratia pay-ment of £51,180 was made to a former director. In addition, the company made exceptional pay-

The following securities have been added to the Share Infor-

Industrials). Bennett and Fountain Group (Electricals).

(Industrials). Wheway Watson Holdings (Engi-

Standard & Chartered

Standard Chartered Finance B.V.

US\$75,000,000 Guaranteed Floating Rate Notes 1990 Guaranteed on a subordinated basis as lo payment of principal and interest by

Standard Chartered PLC

(incorporated with limited kabbity in England)

In accordance with the provisions of the Notes, notice is hereby given that for the six months period (164 days) from 11th March to 11th September, 1865 the Notes will carry interest at the rate of 101 keper cent. per annum. The interest payment date will be 11th September 1985. Payment which will amount to US\$273.13 per US\$5,000 Note, will be made against surrender of Coupon No.11.



J. Henry Schroder Wagg & Co. Limited

IN THE SUPREME COURT OF HONG KONG COMPANIES WINDING-UP NO. 72 OF 1977 IN THE MATTER of the Companies Ordinance (Chepter 32)

IN THE MATTER of Gull Arabiso Limited (In Liquidadon) NATICE 13 HERESY GIVEN that a Petition was on the 5th day of March 1985 presented to the Eupreme Court of Hong Kong lor:

(1) the annotening of a Schama of Arrangement dated the 17th day of January 1985 between Guil Arabian Umited (lo Liquidation) (bereinofter called "the Company"). Standard Chartered Bank, the Unsecured Creditors of the Company and the Holdars of its share of HKCl arch. and

(hereinofter called "the Company"). Standard Chartered Bank, sie Unaecured Creditors of the Company and the Holders of its shares of HKS7 erch; and (2) the confirmation of the reduction of the share capital of the Company Irom HKS 30,000,000 to HKS 2,000,000 provided for in the said Schame of Arrangament.

ANO NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before The Honourable Mr Justice Jones at the Suprema Court. No 38 Quoensway, Hong Kong, at 6.30 o'clock in the lorenoon on Tugaday, the 19th day of Morch 1985.

ANY Creditor or Chareholder of the Company desiring to oppose the making of an Order for the Confirmation of the said reduction of capital as alloresaid should appear at the time of hearing in person or by Counsel for that purpose, at the time of hearing in person or by Counsel for that purpose will be furnished to any such person requiring the come by the Official Receiver and Liquidator of the Company on payment of the regulated charge for the same.

A. L. Robertson p.p. Official Recaiver and Liquidator 14th Floor, Sutherland House, 3 Chater Road, Hong Kong

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FINANCIAL TIMES STOCK INDICES

,	Mar. B	Mer.	Mar. 9e	Mar.	Mar. 22	Mar.	Nigh	4/8e Low	Since Co High	mpliation Low
110 vernment Secs.	80.50	50,09	80.02	80,15	80-19	80,17	58.77	76,72	127.4	49,1B
Fixed Interest	83.50	58,69	83.49	Be.53	63.56	65,69	87,48	80.46	150,4	50,63
Ordinary	988.1	987.e	990.4	982.0	979.9	975.0	1024,6	755.3	1024,5	49.4
Gold Minao	474.9	481,0	467.8	47e,2	477.8	476.5	711.7	439,5	. 734.7	43,5
FT-Act.All,Bhara	e19,40	e19.58	B19.20	e14,79	€10,53	606,82	627,25	484,84	627,28	B1,92
FT-BE100	1866.e	1285.B	1285,4	1274.9	1265,7	1250,8	1805,7	986,B	1305,7	986,9

LADBROKE INDEX Based on FT Index 980-984 (-2) Tel: 01-427 4411

Ingall dismisses possible offer as 'unacceptable'

BY MARTIN DICKSON

Ingall Industries, the only
British funeral director with e
full stock market listing, announced yesterday that it bed
received an "unsolicited and wholly unacceptable approach" seyside. It bad pre-tax profits of sylong was likely to lead to an offer for the company.

The approach is believed to the sylong in the sylong in 1983 on turnover of t which was likely to feed to all offer for the company.

The approach is believed to have come from Greater Midland Cooperative Society, the biggest local rival of Wolverhampton-based Ingall.

The predator does not appear the have not a price to Ingall.

nearly double

increase of over 40 per cent in new business, a rise in market share, better margins, cost con-tainment and, dos to the im-proved quality of business, a reduction of 34 per cent in new provisions for had and doubtful

ments totalling 5224,390 to its group pension scheme to fund an increase in benefit and a partial commutation of pension.

The entire 5275,000 package is understood to have involved Mr.

Martin Akland, a director of the bank who took early retirement

F.T. Share Information

Alexandra Workwear (Section:

Spafax Television Holdings

ISSUES OF GOVERNMENT STOCK

In addition, Her Mejesty's Traisury has creeted on 8th March 1985, and hos issued to the Netional Gabt Commissionars for public lunds under their menagoment. £100 million of 10½ per cent Exchaquer Stock, 1997. In sech cash, the amount issued on 8th March 1985 represents a further tranche of the referent stock, renking in all respects peri passu with that Stock and subject to the terms and conditions of its prospectus, save as to the particulars therein which related Solely to the initial sale of the Stock. Application has been made to the Council of The Stock Exchange for each further tranche of stock to be admitted to the Official List.

9 per cent Treseury Loan, 1994

101 per cent Treasury 6tock, 1999 19th May 1939 10 per cent Conversion Stack, 2002 11th April 2002

Clerical Medical

15 St. James's Square, SW1Y 4LQ. 01-930 5474 Executive Investment Pension Plan. +0.3 +1.0 +1.4 +1.1 +0.2 -0.7 +3.6 +0.6 +1.1 +0.6 -0.7

Prices March o One Clerical Medical Managed Funds Limited Bld +0.4 +1.5 +2.1 +1.6 +0.2 -1.0 +3.9 +0.8 143.4 220.3 189.0 241.1 Mixed Fund
Fixed Interest Fund
UK Equity Fund
Property Fund
Overseas Fund
Index Linked Fund

Cooperative Society, the biggest local rival of Wolverhampton-based Ingall.

The predator does not appear to have put a price 10 Ingall, whose shares stand at 73p, giving it a market capitalisation of f6.5m.

The company has 750 share-holders, including s substantial number of former employees. Directors hold 7 per cent of the equity, while institutional investors include Britannia Assurance and Wesleyan & General Assurance.

Stone Intnl. £2m deal for failed boiler-making group

Stone International, the transportair conditioning group, year terday completed its second acquisition in two months with the purchase of W. G. Allen & Stone Johnston Corporation in the U.S.

Sons (Tipton), the failed boilermaking group.

Stone paid Allen's receivers, secountants Deloitte Haskins & Sells, £2.1m for Allen through an issue of 1,569,362 ordinary shares placed on Friday at 134p by Panmure Gordon & Go. brokers to Stone.

by Panmure Gordon & Co.
brokers to Stone.
Stone's share price closed on
Friday night unchanged at 143p.
Mr Bill Silvie, marketing
director of Stone International,
said the ecquisition was a further
step in Stone's plan to expand
its international energy systeme
division, which primarily makes

increase sales of the energy systems division to £25m a year, compared with £9m sales it schieved in the year ended May 31, 1984.

Stone schieved en interio profit of £3.16m in the six month to November 30, 1984, up from

COMPANY NEWS IN BRIEF

William Sinclair Holdings has moved into profit for the first time at the interim stage with pre-tax figures of £31,000. The dividend for the period is lifted

from 1.5p to 1.65p.

* * *

Rights results have been announced by the following companies. The Royal Bank of Scotland's issue was accepted by holders accounting for 92.1 per ceot—the remaining shares were sold in

of 31.38p.
Over 94 per cent of the shares offered by Newman-Tonks were taken np. The 14.62m shares offered by Bunzl were eccepted by holders representing 95.44 per

The 24.21m shares offered by Renold were taken up as to 93.2 per cent. The shares not taken up were sold at a premium of ebout 7.8p over the subscription

SHARE STAKES

Changes in company share stakes announced over the past week include:

Bristol Channel Shiprepairers

C. H. Bailey has sold 2.7m
ordinary shares and its interest has reduced from 58.97 per ceot ..ordinary (21 per cent). has reduced from \$8.97 per cent.

55.59 per cent.

Cowie T.—T. Cower, a director, acquired 25,000 ordinary shares.

Habitat-Mothercare — T. D.

Couran, chairman, oo February

22 acquired \$7.962 ordinary shares at \$16n.

Winterbottom Energy Trust-London Merchant Securities now beneficially owns 7,956,500 (33.15 per cent, based on an issued share capitalisation of 24m - cumulative preference shares, which between them carry 700,000 votes in Winterbottom, LMS are now interested in a further 3,750 votes, 198,912 votes in total (28.42 per cent of total votes available).

THIS NOTICE DOES NOT CONSTITUTE AN OFFER FOR BALE AND THE STOCKS LISTED BELOW ARE NOT AVAILABLE FOR PURCHASE DIRECT

The Sank of England announces that Hor Mojesty's Treasury has created on 6th March 1965, and has issued to the Sank, additional amounts as indicated of sech of the following Stocks:

£200 million 9 per cent TREASURY LOAN, 1994 £200 million 18½ per cent TREASURY STOCK, 1999 \$200 million 10 per cent CONVERSION STOCK, 2002

Copies of the prospectusee for S per cent Tressury Loan, 1994 and 10½ per cent Tressury Etok, 1999 dated 14th January 1871 and 19th, Occomber 1977 respectively, and of the prospectus dated 12th August 1993 for 10 per cent Tressury Convertible Stock, 1995 (which contained the terms of Japon 1 10 per cent Conversion Stock, 2002) may be obtained at the Bank of England, New Japons, Wading Street, London, ECAM 9AA. The Stocks are repayable at per, and Interest is payable half-yearly, on the dates shown below:

The further transhes of 9 per cont Treasury Loan, 1994 and 10% per cent Treasury Stock, 1999 will rank for a full six months' interest on the next Interest payment data applicable to the relevant Stock. Coolings in the lurther transhe of 10 per cent Conversion Stock, 2002 for sessement prior to 11th April 1985 will, in common with the existing Stock, be effected on an ax-dividend basic, Official deslings in the Stocks on The Stock Exchange are sepected to commence on Monday, 11th Morch 1985.

Mamber of The National Association of Security Ossiers and Investment Menagers. 27/28 Lovat Lane London FC3R 8FB Telephone 01-

Houses...Apr 2 Finel 0.665

Rio TintoZinc. Apr 11 Final 12.0
RockwareMar 21 Final nil
RockwareMar 14 Final 6.55
Royal Outch ...Mar 14 Final 6.55
Rupby Portland
Cement...Apr 15 Final 7.40
Section

Coment...Apr 15 Finel 3.1
Scottleh
Heritable Tst...Mer 23 Finel 1.1
SodgwickMar 14 Finel 5.25
Shell
Trensport...Mar 14 Finel 5.25
Shill
Trensport...Mar 14 Finel 16.8
Smith and
Nephew...Mar 20 Finel 2.475
Smiths Inde ...Apr 1 Interim 4.75
etsendord and
Chertared 6k...Mar 27 Finel 18.5
StoetdayMar 27 Finel 7.0
Sun Allience ...Apr 4 Finel 7.0
Sun Allience ...Apr 4 Finel 7.5
Taylor
Woodrow...Apr 10 Finel 19.0

Woodrow...Apr 10 Final 13.0

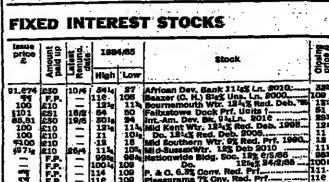
TricentrolMer 22 Final 7.2

Tures r and Newsil...Mer 22 Final 0.75

UltramorMer 13 Final 11.0

Glacuite...Mer 13 Final 4.3

Johnsen...Mer 28 Finel 3.75
*Kleinwort
Benson...Mer 12 Finel 7.3
Kwik äava ...Apr 18 Interim 1.3
LadbrokeMer 28 Finel 4.945
*LaamoApr 3 Finel 7.0 Granville & Co. Limited Telephone 01-621 1212



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	40	F.P.	90.5	670m	4700	P-Southwest Res. 400		

Renunciation data usually last day for dualing free of stamp doty. b Figores based on prospectus astimotes. d Oividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield, a Forecast dividend cover based on prospectus or other official estimates for 1985. H Dividend and yield based on prospectus or other official estimates for 1985. H Dividend end yield best on prospectus or other official estimates for 1985. H Dividend end yield best on prospectus or other official estimates for 1985. H Dividend end yield best of prospectus or other official estimates for 1985. H Dividend end yield best of 1984. I study by tendor, for holders of ordicary shares es a "rights." et issued by way of capitalistion. §5 Reintroduced. I lasted to connection with reorganisation merger or takoover.

Maltoment latters or fully-paid. ||| Introduction. §4 Units described. || Introduction. §5 Reintroduced. || Introduction. §6 Units described. || Introduction || Interest Securities |

Martaet. § Placing price. T Figures assumed. || 10 Pri end one Prog. share. |

**Comprising one 11 per cent Conv. Une.Ln atk. end one Worrant. || With Warrants ettached. || Units comprising one New Ord., four New Pref. and one Warrant. || Figures or report awaited.

PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements except where the forthcoming board meetings (indicated thus's) have been officially notified. Dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year,"

Morgan Crucible...Apr 12 Finel 4.0 NewsrthillApr 11 Finel 10.0 Ocean Transport, Mer 27 Final 2.36

Assurence...Apr 4 Final 12.2
*PredentialMer 27 Final 13.6
*Queena Most Gritish
Aerospecs...Mer 27 Final 5.6
9ritish Cer *BritonMar 27 Interim 1.1 Reckitt end Colmen...Mer 27 Final 7.86

GlynwedApr C ran-Harris Queensway ...Mer 29 (ine) 4.75

"Hepworth Ceremic...Mer 22 Final 3.8

"Hickson Invi ...Mer 25 Final 2.5

"Higgs & Hill ...Apr 3 Final 7.0

"HK & Shanghal Beck...Mar 12 Final \$0.37

Glacuits, Mar 13 Finel 4.3

**United Newspapers...Mar 28 Final 8.0

WeirMar 28 Final 8.0

WolferMar 20 Final 15.0

Woolworth ...Mar 20 Final 15.0

*Yorks Chema...Mer 12 Final 15.0

Over-the-Counter Market

THE MANAGEMENT PAGE

Grand Metropolitan

Why the U.S. can be a mixed blessing

Martin Dickson on the UK group's diversification strategy

"I'VE ALREADY had two calls at the likely growth prospects tunities, and Grand Met's latest today offering me companies." says Stanley Grinstead matter-of-facily. sipping morning coffee in his offices overlooking London's Hanover Square. "If you've done your preliminary thinking you can tell straight away if something someone offers you is going to fit."

Grinstead should know. As chairman of Grand Matternation

Grinstead should know. As chairman of Grand Metropolitan for the past 2½ years, he is et the head of a drinks, hotels and leisure conglomerate built up by the late Sir Maxwell Joseph through deft practice of the art of the takeover. of the takeover.

And Grinsteed himself has

And Grinstead himself has been the prime mover behind Grand Met's bold programme of acquisitions in the U.S. over the past four years, which is designed substantially to reduce the group's dependence on its UK base.

Grand Met has just completed its latest major U.S. acquisition—the takeover of Quality Care, an operator of homa nursing services. It is a deal which at first glance might cause a few raised eyebrows; \$124m—about 20 times current earnings—te a 20 times current earnings— is a sizeable sum to pay for a service business many of whose assets are inevitably intangible. However, tha move has generally been well received by City analysts as e logical expansion analysis as e logical expansion for Grand Met, even if the price paid is on the expensive side.

"Acquisitions like Quality Care are by their nature high risk," says analyst Mark Godridge at brokers de Zoete and Bevan, "but in the U.S. such

in Britain—then providing 95 per cent of earnings and assets—and was not anthused by the potential. The answer

Continental Europe was "It's not one market. The French are different from the So the group cast its eyes

so the group cast its eyes across the Atlantic and liked what it sew: a single market, larger than Europe's, that spoke English and was red-bloodedly capitalist to boot. Grand Met decided on a major U.S. expansion, concentrating on acquisitions in two areas where it in two areas where it could draw beavily on its exist-ing expertise: branded consumer goods and branded consumer services.

Branded image

In 1980 it snapped up the Liggett group, a manufacturer of cigarettes, soft drinks, pet foods and sporting goods for \$590m and it followed that up the following year with the \$500m purchase of the Inter-Continental hotels chain from Pan-Am.

Both acquisitions have proved relatively successful, although Liggett's cigarette

U.S. ecquisitions have both been in this area.

A branded consumer service

by the potential. The answer is simply a service that can be was diversification abroad, but where?

Continental Europe was Gontinental chain; its hotels closest to home, but Grand
Met's past experiences there,
and that of other British companies, made it wary. "There
are many difficulties in operating in Europe," says Grinstead,
"It's not one market The

service companies means that they usually offer narrower trading margins than ones making goods. But, says Grin-stead, they can produce very ettractive growth provided you can brand them with a clear, quality image.
Whet that involves can be seen in Grand Met's first purely-U.S. branded services acquisi-tion: Children's World, bought

for \$40 in 1983.
This provides child-care and early aducation (from 21 to seven years old) at more than 150 centres in nine states, making it the fourth biggest operation of its kind in the U.S.

It is e market which appears to have immense growth potential. "More and more American ladies are wretter. ladies are wanting to pursua a career," says Grinstead, "and there are more and more one parent families in the U.S. Tha demographics all suggest there's

going to be an increasing number of people in this position." Grand Met is expanding its kindergartens at e rate of about



the figure was over in. Demographics again are largely responsible: people are living longer, and elderly people are more susceptible to illnesses.

Until 1983, the U.S. administration paid hospitals on a cost-plus basis for treatment under its Medicare system. Now, bowever, fixed rates are set for specific ailments. This has cut the average hospital stay from nine and a half days to seven and a half, though cynics say people go home

All this has meant the development of a huge market for bome bealth care services, currently estimated to be worth \$9.6bn e year and growing at a rate of 20 to 30 per cent per

Having bomed in on health care, Grand Met had next to care, Grand Met had next to identify the right company, and here again some general principles came into play: "When we buy something," says Grinstead, "wa would prefer it to be a company that's got e reasonable size and status

dge at brokers de zweigen, "but in the U.S. such susinesses have good growth and Myers, was to going to lead to a constinesses have good growth and Myers, was to going to lead to a constinesses, and the steps by which the company homed in on its target, give an insight has been hit hard by the war into the acquisitions policy of mone of Britain's largest companies and into the dramatic monbranded cigarettes—a pamies and into the dramatic monbranded consumer services — especially out egreement collapsed last of the industrialised world will make the proposition of the industrialised world will be proposition. A task which fell out the small acquisitions team the grown keeps permanently in the grown keeps p

had risen to \$354bn and last who is still its chairman, end it now has 168 regional offices in 43 states across the U.S., employing 1,000 permanent and 9,000 freelance staff. In 1983 its operating income was \$7.3m on sales of \$111m, while in the first nine months of last year income totalled \$5.7m (26 per

cent up on the same period of 1983) on sales of \$96m.

As it happenad, Quality Care was already in talks about a possible merger with enother large U.S. company—just who Grand Met still does not know, and the expense of the company of or is not prepared to say. But the Quality Care management seemed more enthusiastic in principle about a link-up with Grand Met,

Market niche

So then the bard talking about money began. Putting a price tag on a service industry com-pany, one of whose greatest assets is goodwill. is notoriously difficult. Grand Met did its own sums, but also called in Morgan Stanley, its New York financial advisers, for an independent analysis, which gave it addi-tional ammunition to fire et the Quality Care team. "It took quite some time for

them to accept," saya Old. executive bonus nlans. "We "There was quite a difference pitch their minds forwerd three between what we were offering and whet they were asking."

And even after agreement, the price paid by Grand Met is understood to have been lowered by ebout 5 per cent, to \$124m when Quality Care feil when the control of the contro a little sbort of its profits fore-

underlying value of the busiwould like to make those proness. Some UK compenies portions approximately 40 per
operating in the U.S. have a
definite "buy 'em cheap" policy.

20 per cent the rest.

though it did boy its first two big U.S. companies at a time when the pound/dollar exchange rete was extremely favourable. "Clearly one set out to buy a company at the most economical price, but equally one must look at the market piece," saya

"Liggett was a great buy at the time," says ooa London analyst. "but both Children's World and Quality Care are on the expensive side. It's up to Grand Met over the next year or so to produce results, or come up with some good reasons why not."

why not."
The Grand Met policy is to leave its U.S. operations largely free granding, having first made sure that the existing management is efficient and is going to remain with the group. So far this seems to beve paid off. The bead office influence comes mainly from regular visits
—Grinsteed bimself spends some six weeks a year in the U.S. — and in the setting of future strategy.

"U.S. management tends to be very short-term orientated." says Grinstead, due partly to the practice of querterly reporting and partly to short-term

But the ultimate aim is clear: a little soort of its profits forecasts.

In any takeover, the final price paid is a trade-off between the desire of the purchaser to get the right company in the right market niche and the underlying value of the busi-

Work patterns

Flexibility makes slow progress

EDITED BY CHRISTOPHER LORENZ

BY BRIAN GROOM

STARK EVIDENCE of how machinery. practices comes in a new report by Michael Gross of the inde-pandent, London-based Techni-

emerging on an increasing num-ber of sites and there is an air of inevitability about the change, he says. But progress bas been slow, setbacks many, and most companies bave far and most companies Dave far
to go before they develop the
most appropriate and competitive working practices.
For three years Cross had
been studying the emergence
of multi-skilled craftsmen and

the breakdown of craft/pro-duction demarcations in process Industries like chemicals, plas-tics and food (Management Pege, January 18, 1985). His latest report contains the results of a survey of 67 sites operated by 51 companies.

Gompanies' motivation for change is the need for broeder skills to repair complex new equipment. They can also cut operating costs by allocating work more efficiently — for instance by teaching semi-skilled production workers to do some repairs on their own machinery. cutting out the walting time for maintenance staff to arrive. But of the factories surveyed, 17 per cent bad made no change

The biggest group, 47 per cent, had achieved some flexibility between crafts within two "core" groups of mechanical and electrical/instrument trades, but there was no overlep with production workers.

Nineteen per cent had are at present equipped to do achieved this level of craft flexibility plus some inter-

mechanical and electrical/instrument groups, as well as overlap with production.

Just 5 per cent (in food and plastics) had fully combined the mechanical, electrical and the mechanical, electrical and craft working practices they recourse, obtain egreement among their managers, supervisors and instrument jobs, along with interchange with the separate production functions.

At the most sonhisticated end, 3 per cent in bighly eutomated plants io food and petrochemicals had broken ell the demarcations to create a man; Technical Change Centre, "user-maintainer" who oper-sed man; Technical Change Centre, 114 Cromwell Road, London

slowly British industry is developing more flexible working practices comes in a new report where few redundancies result. by Michael Gross of the inde-pandent, London-based Techni-cal Change Centre.

The "flexible craftsman" is emerging on an increasing num-

combined their former main-tenance and production departments into a single manufactur-ing function had improved mechine efficiency by 10 to 15 per cent, and were able to run machines at speeds 20 to 65 per cent faster than those using similar equipment operated by a demarcated organisationel structure.

Ghanges can affect several groups. The breaching of demarcations chal-lenges Britain's multiplicity of occupation-based unions. Unions favour more training, but become ambivalent when this threetens to consign their traditional trades to oblivion. Cross says: "Solutions are being says: "Solutions are being found at local levels end per-tlcularly on new sites, out of the sight of netional union policies."

Supervisora have a crucial role in cross-matching tasks with those craftsmen who are becoming increasingly com-petent to undertake them, but tha combining of maintenence and production will create e surplus of supervisors al many plants. The general mova to-wards fewer levels of manage-ment and simpler communica-tions means that foremen and chargehands may disappeer. Companies need to provide

flexibility plus some inter-change with prodoction work. Is the most significant aspect only 9 ner cent—in food, cigar-ettes, plastics and tyre manu-cross-over only et senior manfacture hed achieved flexi- agement level, to ones which bility between the separate ere integrated at supervisory and craft/operator levels," says

craft nnions, and be eble to

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Mr G David Lock Managing Director Private Patients Plan

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INSURANCE

Spotlight on kidnap and ransom policies

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be discussing the futures markets around the Replying to Mr John Hume, leader of the Social Democratic and Labour Party, seeking a ban on this form of insurance, The link-ups between exchanges and the international dealers Mr Douglas Hurd, Northorn Ire-land Secretary, said the Govern-ment was looking et the way insurance companies offered and brokers who operate across the world's leadsuch policies. Banks, brokers and insti-

Mr Humo charged that they were "a positive encouragement to kidnapping."

Kidnap and ransom (K and R) insurance goes back several hundred yeers but became common in its modern form in the early 1970s.

Lloyd's becamo the plece for wealthy individuals and companies with vulnerable senior executives to turn for cover egainst the effects of kidnapping and ransom. The value of K and more people to become victims, R premiums rose to a peak of let kidnappers extract more

Cassidy Davis, the underwriter which still handles the bulk of London K and R cover, has since fallen to about \$40m. since fallen to about \$40m. Some of the large U.S. insurance companies — American Inter-national, Republic Insurance and Chubh Corporation—also write this business.

The basic K and R policy has become more sophisticated and grown into far-reaching anti-disruption cover. Many insured companies say they can afford to pay e ransom, but they want cover against loss of profits and disruption to their business.

encourage the terrorist criminal. The company says it is sensitive that it must not be seen either to let crime increase, cause

To achieve this, policynoiders are forbidden to disclose that they are insured against kidnapping. If they do, the policy is invalidated, Files are coded so that only the lead underwriter knows the identity of the insured.

insured.
In the event of a claim the underwriter does not make e payment directly to e terrorist or kidnapper. The family or company has to act as though they are uninsured, selling personal belongings or assets to sonal belongings or assets to raise the money to meet a ran-som demand.

The insurance policy may not be used to raise a bank loan to fund e ransom payment. The Cassidy Dovis argues that underwriter will not provide K and R insurance does not increase the risk of kidnap or insured's assets. insured's assets. Cassidy Davis says it also

requires the police to be informed of a kidnap. The company says it would not write cover in countries where ransom payments are banned.

LAST Thursday's Commons' call about \$60m (£56.3m) in 1979 for the Government to ontiaw out of a total world business kidnap and ransome insurance worth an estimated \$75m.

Lloyd's business, pioneered by known corner of the London

Lloyd's business, pioneered by Cassidy Dayls, the underwriter

money or impede the law However, if these precautions went, it might still be open to the charge that if not actually are insured against kidence the law were as far as the industry money or impede the law However, if these precautions are forbidden to disclose that are forbidden to disclose that they are insured against kidence the law However, if these precautions went, it might still be open to the charge that if not actually encouraging the crime it was at the industry money or impede the law However, if these precautions went, it might still be open to the charge that if not actually encouraging the crime it was at the industry money or impede the law However, if these precautions went, it might still be open to the charge that if not actually encouraging the crime it was at the industry money or impede the law However, if these precautions went, it might still be open to the charge that if not actually encouraging the crime it was at the industry money or impede the law However, if these precautions are forcement agencies. encouraging the crime it was at least passively eccepting its existence. In the mid-1970s, therefore, Hogg Robinson, a leading insurance broker. leading insurance broker, decided to establish Control Risks, o specialist consultancy,

> the kidnap threat.
>
> Control Risks has a number of smaller UK rivals. In the U.S., Ackerman and Palumbo, the Miami-based firm, provides

to odvise clients how to evold

a similar service. Control Risks, which is now an independent company, can field o team of 30 specialists, most with e military or police background, to deel with extor-tion ottempts. It has hendled more than 140 cases since it was established.

It provides an information service to its clients on the likely terrorist threet different countries. It also gives detailed security advice to companies operating abroad on how to monitor a threat, and helps them develop a contingency plan for executives if they or a colleague were kidnapped. If prevention fails, Control Risks will advise the family or company on how to conduct the negotiations for the release of

the victim. Control Risks says its data shows that most kidnap victims are uninsured and that they also pay the largest ransoms. This, the company argues, is because they have not taken professional edvice on how to reduce the threat or how to handle ransom negotiations.

Banning K and R insurance or forbidding the payment of ransoms would prove ineffe tive, it says. Relatives would rather go to prison than accept a ban on dealing with kidner-Even if the kidnapper failed to get his ransom and killed his victim, this would merely reinforce-the threat in any subsequent kidnap attempt.

OSB TRUSTCARD

Interest Rate Increase

As a result of the prevailing high level of market interest rates, we regret that it has become necessary to increase the Trustcard interest rate from 2.00% to 2.25% per month. Interest at the new rate will appear first on statements dated on or after 11th April 1985. The cash advance service charge remains unaltered at 11/2% of the amount taken.

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Condition 5 of the current Trustcard Conditions of Use is amended accordingly. For further information, call at any TSB branch or write to Trustcard, 93/94 Queens Road, Brighton BN1 3XE.

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New head for Satra (GB)

Mr Dominic Du Vallon Lohan joins the sale and purchase department of OCEAN McGREGOR, shipbroking subsidiary of Ocean Transport and Tradiog on March 12. He was formerly responsible for the shipbroking ectivities at Greig, Middletter (Shiphroking),

Mr T. I. Grimshaw has been appointed group joint managing director of MARSH FERN & CO.,

The practice of A. H. S. Waters and Partners, Birmingham, specialising principally in public health and water-related pro-jects, has joined the Mott, Hay jects, has joined the Mott, Hay E Andersoo Group. The work of TI packaging companies Mr Reg the former partnership will be undertaken by a cowly-formed unlimited liability company re-

LADA CARS has appointed Mr
Martin Austin as managing director of Satra (GB). He will be based at Lada Cars UK headquarters at Bridlington, North Humberside.

Mr Colin Jones is the new manager of the Cannon Street hranch of LLOYDS BANK, Succeeding Mr Graham Peck who has become the manager of the Threadneedle Street branch, Mr Jones has been chief manager, who retired in April last year. Mr Bishop is also chairman and managing director of several other TI companies. Mr John Downlag is managing directors of the new company. Mr P. G. Stanley becomes a consultant togother with Mr D. N. Bogers and Mr J. D. Cargill, Mr John Downlag is managing directors of the new company. Mr John Downlag is managing directors of the new company. Mr John Downlag is managing directors of the new company. Mr John Downlag is managing directors of LLOYDS BANK, J. B. Kirby and Mr L. J. White are appointed Mr Terry Goddard as a member of the board with responsibility for investment and proposited directors of Mott, Hay son as associates. Mr A. J. Waters and Mr A. A. Waters are also eppointed directors of Mott, Hay

> Mr John C. W. Roberts, chairman of C. P. Roberts and Co., has been elected president of the London region of the BUILDING
> EMPLOYERS CONFEDERATION. Mr George W. Hammond,
> managing director of Hammond
> and Miles, was elected senior
> vice president.

Mr Michael Bowers has been appointed managing director of STONERS BUILDINGS, Crawley. Mr John Blomfield will continue as chairman until his retirement in 1986. Mr Bowers joined the company in 1977.

odministration. He remains group secretary. Mr Chris Turper becomes chief executive of the Habitat Group and Ms Paulino Dora is made president of the

Mr Adrian Mark Seymour Fort has been appointed a director of SMITH ST AUBYN (HOLD-INGS).

Mr Peter W. G. Tom, managing director of BARDON HILL GROUP has, in addition, heen appointed chairman in succession to Mr J. Gregory Tom, who

remains a director. Mr. Fred Wapples, managing director of Steer Plant Hire has been appointed a director of Bardon Hill Group.

Mr Gordon P. Coleclough, who recently retired as regional general manager, Bristol, has heen appointed a member of the Bristol regional board of Bristol regional - board of LLOYDS BANK from April 1.

Bar John Smith has been appointed a director of PERCY LANE, a subsidiary company of Planet Group.

BAN



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ntractors wishing to be considered for selection to tender for the urbishment of four express type passenger lifts at Sevens and lebury Houses, Gavons Estate, London SWS should submit names to a Oirector of Administration, Room 111, The Town Hall, Wendsworth, and SW15 2PU by 29th March 1985.

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Applicants must subreit detelle of lebour, technical and supervisory staff swellship together with the assess and addresses of two technical and two financial referees unless this infermation has already been provided for a sireller contract within the last twalve reonths. The work will involve the rereavel of redundant equipment together with all aspecifications and drawings will be issued in May 1965 and that the contract will commence in June 1965. the engineering consultancy services for this scheres will be under the direction of Mr. R. J. Shapperd, Oirector of Housing, Town Hell. Wendsworth High Street, London SWIE.

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Osted March 11, 1985.
S. M. Hand, Scoretary

11th March, 1985

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New Yark: Editorial, Advertising and Circulation
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Rasionitoragum 7, \$-\$tockholm. Teles: 17603. Tel:
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722-3457. Advertising 802 Far East Exchange
Rullding, 8 Wyndham Street Hong Kong. Teles:
60418 Windon. Tel: 5-266-84315.
Kong. Teles: 341130/341619/33779. Tel: 03-206 672.
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For Share Index and Business News Summary, Telephone 246 8026 (number preceded by the appropriate area code valid for London, Birmingham, Liverpool and Manchester).

FRENCH KIER

CIVIL ENGINEERS WITH AN INTERNATIONAL REPUTATION

At French Kier we have earned a reputation, built up over a century, for skilled civil engineering work. It is very much a continuing story. From airports to harbours from tunnelling to opencast coal mining, the skills and expertise of French Kier Construction cover the full spectrum of civil engineering.

Here in the UK, clients can gain the

full benefits of the Company's univalled experience both on national and regional projects, backed by a wide range of specialist skills. Both in construction and design, French Kier offers a truly comprehensive range of experience and expertise to tackle anything from marine engineering to underground power stations. Our clients call it professionalism.

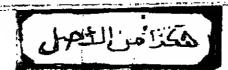
We call it French Kier.

The civil engineering skills of French Kier Construction represent just one facet of the Company's many activities. It has an established reputation in major building contracts and refurbishment, construction management and property development.

For further information concerning all the services which French Kier provide,

please contact: Dick Allen, Managing Director French Kier Construction Limited, Tempsford Hall, Sendy, Bedfordshire, SG19 2BD. Tel: Biggleswade (0767) 40111.





Met. Exhibition Hall, Brighlo

Wembley Conference Centre

Exbn. Centre, Harrogate

Barbican Centre

N.E.C., Birmingham

April 10-12 London Book Fair (01-229 1825)

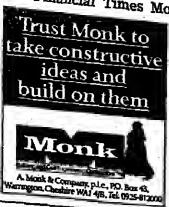
British International Antiques

April 15-19
International Fire and Security
Exhibition and Conference; and
International Saftey and Health
Exhibition (01-387 5050)

March 27-29

April 11-17

Fair (021-780 4171)



Spread of work for A. Monk

Building and civil engineering work valued to £15.6m bas been awarded to A. MONK & CO: £5.166m at Manchester International Airport, for the City national Alrport, for the City of Manchester, extensions to Pier C; £2.62m at Barton Mills, near Bury St Edmunds, for the Department of the Environment, construction of two miles of two-lane carriageway; £2.11m at Barty Island, for Associated British Ports, design and construction of store sheds and ancillary buildings; £1.799m in North Humberside, for the Yorkshire Water Authority, construction of a new wave wall and strengthening of existing structures to privide flood alleviation from the River Humber; £0.738m at Begley Beck, near Leeds, for the City Council, involving flood alleviation work; £1.077m at Crnwinhill, Wilton Keyret tha City Council, involving flood alleviation work; £1.077m at Crnwnhil), Milton Keynes, for the Development Corporation, construction of 26 workshop nnits; £1.193m at Stanlow, Cheshire, for M W. Kellog, construction of a blending and filling building; and £0.938m at Earlsheaton, for the Kirkless Metropolitan Council, extensions and alterations to Earlsheaton.

years to finish. Drake & Scull-will be carrying nut the will be carrying nnt the Main construction work will mechanical services. Start on site in September and

中国银行

BANK OF CHINA

LONDON BRANCH

has pleasure in announcing the

opening of a sub-branch at

GLASGOW

ON MONDAY 11th MARCH 1985

Address:

450 Sauchiehall Street, Glasgow G2 3JD

Telephone: 041 332 3354

International Telex: 779784 Telegraphic Address:

"Chungkuo Glasgow"

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BUILDING CONTRACTS

£31m for Irish builder

McINERNEY PROPERTIES, tial developments in the same associated companies have successfully tendered for or negotiated over £31m new work. Principal items were: Bin Jabr houses (£126m) and two office McInerney. Abn Dhabi with blocks at Earlsfort Terrace,

Principal items were: Bin Jabr McInerney, Abu Dhabi, with hlocks at Earlsfort Terrace, blocks at Earlsfort Terrace, blocks at Earlsfort Terrace, Dublin, comprising 61,000 sq ft, sub-station, 51.3m; Azaiba Construction, Oman, building a nine storey office block, providing (£5.9m) and other civil engineering contracts, £1.7m.

Mead wins £26m orders

received orders worth £26m. The largest to start this summer, is building a £18.3m town centre development for Gosport, providing a covered shopping centre, leisure halls and facilities, plua a 105-bed hotel, together with bousing. Work has started on a Telephone Engineering Centre at Resding for British Telecom costing for British Telecom costing \$1.3m. 208 homes will be huilt by Mead Construction during the year representing building the year for mead's own development. Two industrial building contracts totalling £655,000 will be completed during the year for mead the programment of six industrial units and the building of two neight new industrial units on the Portsmonth Airport Service totalling £655,000 will be completed during the year for mead to providing the year for mead to provide the year for mead to MEAD CONSTRUCTION has ready by July for CDS Co-operation own development company. valued at Housing contracts include 16 flets for Gosport Borough Council for completion by August and 47 bouses and flats to be developer.

In addition six industrial units valued at over £200,000 are to be built in Shoreham under negotiated contract for Leo Cruttenden, a Sussex based

Laing to build £12m hospital

LAING MANAGEMENT CON-TRACTING has been awarded a 1988. major hospital contract at Ham-major hospital contract at Ham-mersmith. Work starts in May to build a fi2m first phase of the hospital redevelopment planned by Hammersmith and Queen Charlotte's Special Health Anthority. The new four-storey building is in the centre of the existing complex and the work TILBURY GROUP'S letest batch of contracts totals over £3.6m—£2.7m of this comes from Tilbury's share in e £3.75m joint contract with Drake & Scull for erection and completion of a unit for the mentally ill at Heatherwood Hospital, Ascot. The unit for the Oxford Regional Health Authority, will be partly two-storey and partly three-storey. The joh is expected to start at the end of this month and will take two years to finish. Drake & Scull will be carrying unt the work is to be carried out without affecting the running of the bospital. Tha hospital will contain two surgical wards with 60 work is to be carried out without in two surgical wards with 60 work is to be carried out without affecting the running of the bospital. Tha hospital will contain two surgical wards with 60 work is to be carried out without in two surgical wards with 60 work is to be carried out without in two surgical wards with 60 work is to be carried out without in two surgical wards with 60 work is to be carried out without in two surgical wards with 60 work is to be carried out without in two surgical wards with 60 work is to be carried out without in two surgical wards with 60 ward plus a new 10-bed intensive care unit, eight operating iteration. The building is in the centre of the existing complex and the work is to be carried out without in two surgical wards with 60 ward plus a new 10-bed intensive care unit, eight operating iteration. The building is in the centre of the existing complex and the work is to be carried out without in two surgical wards with 60 ward plus a new 10-bed intensive care unit, eight operating iteration. The building is in the centre of the existing complex and the work is to be carried out without in two surgical wards with 60 ward plus a new 10-bed intensive care unit, eight operating iteration. The building is in the centre of the existing complex and the work is to be carried out without in two surgical wards with 60 wards and short stay ward plus a new 10-bed intensive care unit, eight operating unit ward

occupation is due for September An £8m scheme to develop Coventry City Centre is one of several contracts awarded to the JOHN LAING GROUP by the city council. The site lies between the existing shopping precinct and the old and new Coventry Cathedrals. Cathedral Lanes, with 32 shops and four restaurants is scheduled to start building next year. The construction contract will be worth about £3.5m.

Contracts, totalling nearly £5m, have been awarded to FORD AND WESTON, Derby, The largest, worth £2.5m, is for a superstore fur Leicestershire Co-operative Society, in Northfield Avenue, Kettering, due to open in October, The 48,000 so it single-store premises are open in October. The 48,000 sq ft single-storey premises are being built in 39 weeks on a 101-acre site. Features include parking for 300 cars and a petrol station forecourt. Other work includes a 30-week contract, worth fil.2m, for a 62,000 sq ft single-storey factory and offices for Poldrait Textiles, of Earl Shilton, Leicestersbire, and a shopping centre, worth over £1.2m, fronting Crown Walk and East Street, Derby, for Viking Commercial Estates, of Derby, dne for completion at the end of the year.

TROLLOPE & COLLS MANAGE-MENT has been awarded a £44m management fee contract by Llayds Bank at 39 Threadneedle Street, EC2. The 68-week contract involves refurbishment of the four-storey building built in 1876. An extension is to be constructed and fitted out under a new lead mansard roof. There will be a branch bank at ground level with associated offices the first floor and offices for senior management on the second and third.

J. JARVIS AND SONS has won four contracts totalling almost £4.5m. The largest is a £2.4m relacing project on two multi-relacing project on two multi-storey buildings owned by Manchester University. In New-castle the company building a fillm supermarket for Midas International Properties and in London work has commenced on two sorting office refurbishment schemes for the Post Office together valued at £1m.

*

Parliamentary business this week

TODAY

Commens: Oebate on Opposition motion on recard unemployment and the naed for new industrial colliciations: Roserva Forces (Saleguard of Employment) Bill, Committee. Companies Consolidation (Coneequantal Provisional Bill, consideration of Committee amendments. London Regional Transport (Amendment) Bill (Incid Reading). Shipbuilding Bill, Committee industrial Ostopment Bill (Thud Reading). Appropriation (Northern Iralend) Order, Local Elections (Northern Iralend) Order, motions for appreval. Barting. Gaming. 6nd Lotteries (Amendment) Bill. Committee. Debate on Report of the EEC Committee on common fisheres policy. Un-

ject: Transport sepects of the 1857 outlier systematics white Pepat, Wilnesses: Repartmental officials (Room 17, 4.15 cm). Committee on flywate Bitt-Potition against Okahamoton bypass Special Procedure Orders (Room 3, 10.20 cm). Statutory Instruments (Room 4, 4.15 pm).

WEDNESDAY

Transport (Amendment) Bill (Third Reading). Shipbuilding Bill, Committee. Industrial Oavolopment Bill (Third Reading). Shipbuilding Bill, Committee. Industrial Oavolopment Bill (Third Reading). Appropriation (Northern Ireland) Order. Local Elections (Northern Ireland) Order. Local Elections (Prescribed Expendition) (Northern Ireland) Order. Local Elections (Prescribed Expendition) (Northern Ireland) Order. Management (Prescribed Expendition) (Northern Ireland) Order. Management (Prescribed Expendition) (Northern Ireland (Prescribed Expendition) (Northern Ireland. 1987). Committee: Public Accounts. Subject: Appropriation Accounts. Northern Ireland. 1983-84. Witnesses: Mr. O. Fall, Parmsent Secretary, Oapanmant of Economic Osvelagment: Mr. O. Barry, Environment, Northern Ireland. (Room 16, 4.45 pm)

TOSMORROW

Commons: Interception of Communications Bill (Sacond Reading). Motion on the Immobilization of Commons of Westminster, Kanalogton and Chelses) (Continuation) Order. 1985. mption for approval. Representation of the People Bill (Second Reading). Meter Vahicles (International Context, 1985. mption for approval. Representation of the People Bill (Second Reading). Transport—Sub.

WEDNESDAY MARCH 13

DIVIDEND & INTEREST FAYMENTS— Hydro-Quebec 12.7Spc.ln 2015 6.375x

THURSDAY MARCH 14

COMPANY MEETINGS...

BOARD MEETINGS

Needlers
New London Properties
Rownuree Mackinizen
Royal Dutch Petroloum
Sedewick
Sharpe & Fisher
Ueil Transport & Trading

Interiorse

Interiors Sycolcate
Coronation Sycolcate
Harridons Malaysian Plaetations
Jarvis U.I.
Muching JA. & J.)
Tweetontein United Collieries

COMPANY MEETINGS-

BOARD MEETINGS

Interiors;
Beism
Breville Europe
Firther Challenge
Lawner
Returne
Victor Products
Wolselev-Hophs

Miause of Orugs (with apecial reference to Ireatment and rehabilitation of miausers of hard drugs, Witnessesses. John Patton, Parliamentary Undermisusora of hard druga. Wisnesses: John Patton, Porlumentary Under. Secretary OHSS and officials (Room 21, 4.15 pm). Environment. Subject: Redroactiva wests. Wisness: UK Atomic Enargy Authority (Room 20, 4.15 pm). Eurepean Legialation. Subject: Common egricultural policy prices preposals 1965-85. Witness: Rt hon Michael Jopling. Minister of Agriculture. Fisharlas and Food (Room 15, 4.30 pm). Foreign Affoire. Subject: Fpreign and Commonwealth Offico and Overseaa Oovelopment Administration apring applpmentary estimates. supplementary estimates 1984-85.
Witnesses: FCO and OOA officials (Room B. 5 pm).
Joint Committes. Petition against Orehempton by-pass (Rpom 3. 10.30 cm). Unopposed Bills — Boumsmouth Spreugh Council (Room 8. 4 cm).

THURSDAY Commons: Estimatea Osy (until about 7 om). Consideration of Class IV. vote 5 industrial Support (Energy Lept), followed by debate on a motion for the adjournment of the House on Command 9447. The Government's observation on the Fith Report from the Foreign Affeire Committee, seasion 1983-84, on the Falkland lainds. Proceedings on the Cinomes Bill.
Lorde: Hong Kong Bill (Committee). Administration of Justice Bill, Report. Weights and Messures (Solid Fuel) (Cartage by Reil) (Amendment) Order 1985, motion for approvel.
Select Committee: Joint Committee—Pelliton sgainst Okobemoton by-gass, Snacle Procedure Orders (Room 3, 10.30 am).

FRIDAY

WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The brard meetings are mainly for the purpose of considering dividends and official indications ara not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

Appredore (A. and F.), Cognateth Rooms, Graal Queen Street, WC. 11-30 CPS Computer, Marble House, Cock-sparrow Street, Warnelk, 11-30 Granata Groue, 38 Golden Square, W. Trietheute, Fact. COMPANY MEETINGS-12.30 Group. 38 Golden Square, W.
Transhoute Forte. Grosvesor House. Park
Line W. 1.00
URes Scientist. Write House Hotel,
BOARD MEETINGS
Finals.

Ericsson (L., M.) (Telefonel Greppinty and Lowisinds Low & Bonar Packer TR Pacific Basic Inv Tst 7 & 5 Stores Land Investor London Since Property Tst Microsium Recongraphics Parker R noil on C., M.) (Telefoneitti

DIVIDEND & INTEREST PAYMENTS OIVIDEND & INTEREST PAYMENTS—
Dart and Krart Inc 1.06 cts
Elies and Everand 2.50
Fires State Devot and Invest Corpn 2P cts
Nampson Inds 0.30
Houston Inds Inc 62 cts
Johannesburg Cons Invest 88.54600
Lockbred Corpn 15 cts
Mobil Corpn 55 cts
Mountait Mercantile 0.45p
Newman-Tonks 3.750
Rockwell Intl Corpn 25 cts
Squibb Corpn 4P cts

COMPANY MEETINGS-COMPANY MEETINGS-Lovell (V. J.). Inonmonger, Half. A
sate Street, Bartican, EC, 11.30
BOARD MEETINGS
Finals:
Burstone Eves
Clark (Marmen)
Do Beers Consolidated Mines
E0-shorgs rind Marager,
Hond Meriden
Hong Kots & Shanghal Banking
Hong Kots & Shanghal Banking
Hong Kots & Shanghal Banking
Taworer Returdede
Yorship Commical
Laterbross
Laber Der

DIVIDEND & INTEREST PAYMENTS Access Satellite Intel 19
Alcan Atomistam 30 cts
CPS Compositor Group 0.70
Cutcord Overteas Finance Corpo NV Gtd
Fing Rate Notes 1994 524.22
Koree Exchange Bank Fing Rate Notes
1999 5637.9
Monsand 57.5 cts
Neditora Finance BV Fing Rate Notes 1993
52.427.88
Palmerston Investment Trust 19
Tenoorig Inc 73 cts
Winterbottom Energy Trust 1.35p

DIVIDEND & INTEREST PAYMENTS Fugos Overseas Finance NV Gtd Fits 9nte Notes 1987 \$322.09 Investors in Industry 12/spclo 1992 Scuttish Finance Corpn 1.9n

FRIDAY MARCH 1 COMPANY MEETINGS-Surco Dean, Piccadilly Hotel, Manchester 12.0P
County Properties. Royal York Hotel.
Vork North Vorksite, 12.00
Oraytos For Emtern Trust, 11 Devonshire
Scaare, EC, 12.00
BOARD MEETINGS
Floats:
Camella Investments
of Allan-Gisniver
Interior

EC. 4.00 Blundell-permoglase. Connaught Rooms. Great Queen errect. WC. 12-00 Hunterprint Graut. Tronmongers Hall, Alderugate Street, Barbican, EC. 2-45 kLP Group. Tronmongers Hall, Shahus-burr Places Constitution of the Control of DIVIDEND & INTEREST PAYMENTS AMF Inc 12.5 cts
ASR Hidgs 3.50
Arbuthnot Yes Bond Food Y3.0
BICC Bispobb 1981-86 3.25pc, 7pcbb
1985-00 3.5pc
Bett Bros 1.90
Border and Southern Stackholders Trust
Spc1stDb 1983-90 2.5pc

Spc1stDb 1988-9D 2.5pc
Ertitis Gulana Spc 1989-85 2.5pc
CSX Corve 0.26 CS
Conversion 12pc 1985 8pc
Cummiss Engliss Inc SS cts
Dana Corve 12pc
Extra Demonstration 12pc
Extra Demonstration 12pc
English Extra 12pc
English Extra 12pc
English Extra 1985 E3.82, 14 Inpc
Extra 12pc
Extra Motor 2.5 cts
Funding Spc1n 1983 3pc
Gartnore American Secs 11 InpcDb 2018
E. 1992 cts Gartmore American score in a 2.929 to 2.929 the sale Precision Engineering 1p Hutton (E. F.) Inc. 20 cts Lucas Inda 74pcLn 1983-88 3.875pc Midsummer Innc 29 stonies Invest Trust 34pcDb 1987-85

COMPANY MRETINGS—
Bert Bros. 9 Car Street, Dundee. 12.00
Cambridgen Water Co. 81 9ustar Roso,
Cambridgen, 4:30
Cherrer Trust and Ascucy. 20 Fenchurch
Street, EG. 2:85
For Street donic invest Trust 34pcDb 1.675pc dational 18pcLa 1985-99 7pc daumark (Louis) 8.5p bugma-fillinois inc 42 cts Newmark (Louis) 8.5p Overste listosis no 42 cts Parana (State of) Brazil 7pcBds 3.5cc Pessonal 55 cts Prévince de Diebec 12upcla 2020 Project de Buebet 124ptia 2020
6:125pt
Redfram Metional Gissa 1DipptDp 19921897 5-25pt
Sandwik Aktiebolan Gissa 1DipptDp 19925an Containery 36-3625 the
Smith (David 5-) 1p
Souta Aktiebolan Gissat the
Souta Aktiebolan and Exploration 20 cts
Soutawari Hidds 220 cts
Stewart Plastics 2886 Stocknort IMet Borough of) 124pt 1985
6-125pt
Sweden (Kingdom of) 134ptla 1986
6-73pt

SATURDAY MARCH 15 DIVIDENO & INTEREST PAYMENTS Agricultural Mortgage Coren 91-pcDb 1983-88 4,75pc: 74pcOb 1991-93 Tressery 2pc Indax-United 1998 £1-31

PLM Sweden

PLM Haustrup Denmark

BUSINESSMAN'S DIARY

UK TRADE FAIRS AND EXHIBITIONS March 26-28 Computer Aided Design Exhibi-tion (01-648 8040)

Daily Mail Ideal Home Exhl-bition (01-222 9431) (until March 31) Earls Court Glass and Glass Technology Exhibition — GLASSEX (0378 77966) (until March 13) GLASSEX (0378 Commercial Motor Accessories and Equipment Exhibition (01-NEC, Birmingham 643 8040)

Intercational Floorcoverings Exhibition (02432 5537) April 1-3 Papermaking International Exhi-Olympia bition and Conference—PAPEX March 12-15

Tunnelling '85 Inter Exhibition (01-572 2121) International Met. Exhibition Hall, Brighton March 16-19 British Designer Show (01-385 1200) March 19 Olympia

Roofex: Roofing, Cladding and Insulation Exhibition (0322 77788) Albany Hotel, Glasgow March 21 Roofex: Gresvenor Hotel, Edinburgh

March 26-28
The Eighth European Information Technology and Office Automation Exhibition (01-647

Building Industry Convention Exhibition (088385 2051) Met Exbn. Hall, Brighton OVERSEAS TRADE FAIRS

Current International Motor Show (until Geneva

April 24 Unix Systems Exhibition (Hardware and Software) (0763 73039) March 11-14 Middla East Oll Show (01-486 1951) Bahrain 1951) March 12-14 Semicon Europe Electronics Show (01-353 8807) Zurieb March 16-20 Second Arabgas Exhibition and Conference (01-

March 19-23 International Printing and Packaging Machinery and Materials Exhibition — PRINTING AND PACKAGING INDONESIA (01-486 1951)

Jakarta

March 22-27

April 2-6 Second International Exhibition for Wire, Cable and Optical Fibre Industries (0727 63213)

April 11-21 International Housebold Fair (01-437 2175) Amsterdam

Surface Treatment and Industrial Finishing Exhibition (01-439 3964)

National Federation of Self-Employed and Small Businesses Annual Conference and Business

Euromoney: The Eurobond mar-ket in 1985 (01-236 3288) Dorchester Hotel, W1

FT Conference: Private health care conference (01-621 1355)

Macfarlane Conference: Finan-cial marketing winners '85 (01-

April 1-2 FT Conference: The FT Euro-

markets in 1985 Conference (01-

April 10 The Industrial Society: Successful communication to employees

3 Carlton House Terrace, SW1

Intercontinental Hotel. W1

Intercontinental Hotel, WI

Connaught Rooms, WC2

International Travel Exhibition International Consumer (021-705 6707) Eudapest Fair (021-455 9600) Bruo

March 22-24

March 25-26

March 25-26

437 8287

621 1355)

(01-839 4300)

BUSINESS CONFERENCES

March 11-12 Euromoney International Finan-cial Law Conference (01-236 3288) Intercontinental Hotel, W1 Exhibition (01-520 7652) March 13

PRCA: Industrial and Technical Public Relations (01-245 6444) Waldorf Hotel, WC2

Waldorf Hotel, WC2
March 13
Health Services Supply Council/
Association of National Health
Services Supplies' Officers: Choosing priorities for NHS highlechnology medical equipment
(0272 423271) Olympla March 14 Chatham House: Japanese man-

agement style and the experi-ence of European affiliates in Japan (01-930 2233) St James's Square, SW1 March 17-19

Metal Bulletin's Fourth International Iron Ore Symposium (01-633 05025) Sheralon Holel, Rome March 19-20 FT Conference: Cable television and satellite broadcasting (01-

621 1353) Royal Lancaster Hotel, W2 March 20

March 20

European School of Monagement
Studies: Excellence exemplified—
a European perspective (0955
727677) Wolfson College, Oxford
March 20-22
Seatrade Conferences: Money
and Ships in the City 85 (01-623
71500)
Barblean Centre

3 Carlton House Terrace. SW1
April 11-12
Brinsh Institute of International and Comparative Law: Whither
Antartica? The regulation of activities in the region (01-636 5802)
Institute of Education, WC1

Barblean Centre Institute of Education, WC1

Anyone wishing to ottend ony of the obove events is advised to telephone the organisers to ensure that there has been no change in the details published.

Financial Times Conferences

CABLE TELEVISION AND SATELLITE BROADCASTING CONFERENCE

London-March 19 and 20, 1985

Dr Lother Spath, Prime Minister of Baden Württenberg, will he joining the penel of speakers to give a keynote address ronsidering developments in cable television in Baden

Other speakers will include: Mr Giles Shaw, MP, Minister of State at the Home Office; M Stephane Hessel, Membre de le Haute Autorite de le Communication Audiovisuelle; The Rt Hon The Lord Thomson of Monifieth, KT, PC, chairman, Shadow Satellite Broadcasting Board; M Jacques Pomonti, president, INA; and Mr Elco Brinkman, Dutch Minister of Welfare, Health and Cultural Affairs.

Issues to be discussed during the two daya include: * What kind of programmes are viewers prepared to pay

for and what are the economics of making and distributing them?

What roles should governments play in fostering the new media and what kind of regulatory fremswork is

Is there likely to be a masa markst for interactive home information services and how fast will it develop?

PRIVATE HEALTH CARE

London-March 25 and 26, 1985 This major Financial Times conference will review public

policy and the relationship of the private sector with the NHS, privats health care as an employee benefit, its provision and cost and will also assess the current business opportunities and risks.

Speakers will include: The Rt Hon Kenneth Clarke, QC, MP, Minister of State for Health; Mr R. M. Grabam, chief executive, BUPA: Mr Michael Meacher, MP, Opposition Front Bench Spokesman on Health and Social Security; Mr G. David Lock, managing director, Private Patients Plan; Mr. Gene Burleson, chief executive officer, AMI Hospitals; Mr Oliver J. Rowell, general manager, Nuffield Hospitals; Mr Peter Townsend, chairman, Nationwide Hospitals; Mr Gordon Webster, managing director, NEL Permanent Health Insurance.

All enquiries should be addressed to:

The Financial Times Limited Conference Organisation Minster House, Arthur Street London EC4R 9AX

Tel: 01-621 1355 (24-hour answering service) Telex: 27347 FTCONF G Cables: FINCONF LONDON

PLM Euro The Netherlands/ West Germany PLM Sellbergs Sweden

1985 Annual General Meeting

The Annual General Meeting of PLM AB will be held at 4 p.m. on Thursday, 28th March, 1985 at the Malmö Stadsteater (the Malmö Theatre), Östra Rönneholmsvägen 20, Malmö, Sweden. Invitations to attend the meeting were sent by post to shareholders on 4th March, 1985.

NOTICE OF ATTENDANCE

Shareholders wishing to attend the meeting must notify PLM no later than 4 p.m. Monday, 25th March, 1985. The form sent to shareholders on 4th March, 1985 may be used for this purpose.

Alternatively, notice may be given by telephone on 010 4640-20 90 00.

Shareholders who wish to be represented by proxy must fill that section of the form sent to them on 4th March, 1985. Forms of proxy are also available for collection at the offices of Cazenove & Co., 12 Tokenhouse Yard, London, EC2R TAN.

Additionally, in order to be qualified to participate in the Meeting, a shareholder must be registered at the Swedish Securities Register Centre (VPC AB) no later than 18th March, 1985. Shareholders whose shares are administered by a bank or a private stockbroker must ensure that their shares are temporarily registered in their own names at the VPC no later than 18th March, 1985.

On giving notice of attendance shareholders should specify their VPC registration number.

AGENDA L Meeting to be declared open.

2. Approval of voting list. 3. Election of Chairman.

Approval of valid convening of Meeting.

5. Election of persons to certify accuracy of

the Minutes of the Meeting. 6. Presentation of the Annual Report and

Accounts and Auditors' Report.

7. Approval of Accounts.

PLM extends a warm welcome to all its shareholders.

8. Discharge of responsibility for the Board of Directors and the President.

 Approval of proposed distribution of profits. The Board propose a dividend of SEK 5.40 per share. Tuesday 2nd April, 1985 is proposed as the record

 Approval of proposed number of Board Members. 11. Approval of proposed fees for Board Members and Auditors.

12. Election of Board Members. 13. Election of Auditors and Deputy

Auditor The Managing Director will then address the Meeting.

On condition that 2nd April, 1985 is approved as the record date, the VPC expects to distribute the dividend on Friday, 12th April, 1985. ADMISSION TICKET Shareholders will receive confirmation of their right to attend the meeting in the form of an admission ticket, which must be presented on entering the meeting.

THE BOARD OF DIRECTORS PLM AB

Malmö, 11th March, 1985.

ZAMBIA COPPER INVESTMENTS LIMITED

RESULTS FOR THE HALF-YEAR ENDED DECEMBER 31, 1984 The following are the uneudited results of the Corporation and its subsidiaries for the half-year ended December 31, 1984, which should be read in conjunction with the accompanying notes. Helf-weer

•	nan-year ended Dec. 3L 1984 US\$000's	ended Dec. 31, 1983 US\$000's	ended June 30, 1984 US\$000's
Recenues: Interest and other income	1,241	1,144	2,344
Expenses: Administration expenses Exchange loss (note 1)	227 1,345	244 1,541	476 1,829
Exchange 1000 (1,572	1,785	2,305
(Loss) earnings before taxation	(331) (34)	(641) (33)	(100)
Foreign taxation	(365)	(674) (244)	(61) (1,033)
Net loss	(I,079)	(918)	(1,094)

The exchange loss for the six months ended December 31, 1984 was attributable mainly to a substantial depreciation during the period in the values of both the Zambian kwacha and the Zimbabwean dollar.

The Corporation made payments of US\$714,000 for the half-year to December 31, 1984 (1983: US\$244,000) under guarantees given to De Beers Consolidated Mines Limited (1983: US\$244,000) under guarantees given to De Beers Consolidated Mines Limited relating to Botswana RST Limited (BRST) and BCL Limited (BCL) which are considered as Irrecoverable and have accordingly been treated as extraordinary considered. BRST and BCL continue to experience serious financial difficulties and at items. BRST and BCL continue to experience serious financial difficulties and at items. BRST and BCL continue to experience serious financial difficulties and at items. BrST and BCL continue to experience serious financial difficulties and at items. BrST and BCL continue to experience serious financial difficulties and at items. BrST and BCL continue to experience serious financial difficulties and at items. BrST and BCL continue to experience serious financial difficulties and at items. BrST and BCL continue to experience serious financial difficulties and at items. BrST and BCL continue to experience serious financial difficulties and at items. BrST and BCL continue to experience serious financial difficulties and at items. BrST and BCL continue to experience serious financial difficulties and at items. BrST and BCL continue to experience serious financial difficulties and at items. BrST and BCL continue to experience serious financial difficulties and at items.

In view of the loss for the period and in the light of the abovementioned circumstances, the directors have not declared an interim dividend in respect of tha financial year ending June 30, 1985.

The Corporation's principal investment is a 27.3% interest in Zamhia Consolidated Copper Mines Limited, whose latest available results are as follows: Nine months Nine months ended ended ended
Dec. 31, 1984 Dec. 31, 1983 March 31, 1984 551,021 394,283 436,458 423,812

U.K. Transfer Agents: Hill Samuel Registrars Limited 6 Greencoat Place London SW1P 1PL

Read Office: Sofia House 48 Church Street Hamilion (P.O. Box 650, Hamilton 5)

· March 8, 1985

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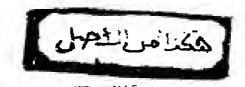
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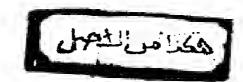
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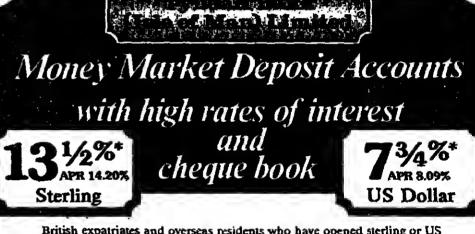
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AUSTRALIA All ord. (1/1/80) Metala & Minis. (1/1/88)	788,1 473,8	797.7 491.1	787.7 481.4	798.8 480.2	788.9(20)2/45) 867.4 (5/1/84)	
AUSTRIA Credit Aktien (2/1:92)	72,54	72,55	71,20	71,75	74,88 (28 2:85)	58,20 (15,81
BELGIUM Brussels SE (1/1:90)	2298,5	2390,t5	2508,29	228b,88		
GENMARK Copenhagen SE (E:1.85)	178.45	179,82	177,72	176.52	225.2(28:1/84:	158.44 (8/1/85)
FRANCE CAO General (51:12.12:1 Ind Tendance (28:12:64)	200.5 1(1,8	205.9 111.4	205,8 111,1	204.9 115,5		155,6 (8*1/84); 106,8 (25:12:6
GERMANY FAZ-Aktien (81, 12:58) Commerzbank (1:18 58)	416,92 1288,1	415.08 1798.8	417.60 120 1.9	415,57 1196,1	417,60 (8:3;85) 1287,5 (4:3;85)	817.17 (左·7) 817.7 (左·7)
HONG KONG Hang Seng Bank/91/7.84	1395,27	1389, 14	1393.28	1307,94	1485.17.18 (2.65)	746.02 (18:7)
FTALY Banca Commiltel. (1872	278,30	279, 15	272,83	159,51	288,71(20,2/85)	192,06 (2.1/84)
JAPAN** Nikkel-Dow 116,5 481 Tokyo SE New 14 I-681	12547.5 361,31	18414.8	12498.7 390,59	12478,4 888.46	12503,844 '5/85 980.50 16 3/85	9708.35 /26 7 : 750.48 (4:1:84)
NETHERLANDS AHP-OBS General (1878) ANP-CBS (Indust (1878)	285.8 165,6	205, 2 (62-5	296, 1 163.6	204.8 161,8	208.1 (8.8 85: 165.7,21:2/85:	
NORWAY Delo SE (6/1:85)	221,20	818.71	317.69	617,84	345,6 /8/2.891	221,57 14/1.54
SINGAPORE Straits Times (1686)	549,62	852.65	849.72	847,54	1071,9(8:2:84:	764.4 119:1/651
SOUTH AFRICA Bold (3)551 Industrial (1858)	907,2 847,7	985,1 947,2	(u1	905.0 846.8	1050.0 (18:11: 1105,5/28/8/94:	748 1 24.1:84 845,8:5:8:851
SPAIN Madrid 8E 125/12 64)	111,17	111,16	112,17	112,78	117.41 (4-1-25)	100.08 28 12 8
SWEDER Jacobson & P (11.581	1424,0	1425,09	1445.79	1444.64	1594,5 (9:2:84)	1802,59 ,22,11
SWITZERLAND Swiss BankCpn. 121, 12/561	426,1	427,0	428.6	424,5	425.8 19:5/650	854,5 /25.71
WORLD Capital Intl. (1/1.78)	186.0	_	196.8	197,8	198.1 (4/8/85)	785,2 (14/18)



British expatriates and overseas residents who have opened sterling or US dollar accounts with Tyndall Bank (Isle of Man) Limited are enjoying the benefits of high rates of interest and the convenience of a cheque book giving access to their deposits at all limes.

This joint facility was pioneered by the Tyndall Group's offshore banking arm whose substantial presence in the UK money markets enables them to pass on rates of interest normally only available to major investors. . To addition to the above facilities the sterling and dollar money accounts

- offer the following benefits: · Security - deposits are placed with local authorities and huilding societies as well as recognised banks or their wholly awned subsid
- · High interest paid gross without deduction of tax.
- Your own cheque book minimises correspondence, simplifies transfers and direct payments, and gives access to your funds at all times.
- Interest credited four times a year means on even higher return because interest is earned on the interest. The current rate, if maintained, equals 14.20% p.a. for sterling and 8.09% p.a. for dollar accounts. Minimum opening deposit: £2,500 or US\$5,000 or equivalent.

Tyndall Bank (Isle of Man) Limited incorporated in the Isle of Man, is licensed under the Manx Banking Act 1975 and has a paid up share capital of £1,750,000.

The Tyndall Group is one of the leading investment management groups in the UK and is wholly owned by Globe Investment Trust P.L.C. - the largest UK investment trust company. Funds managed within the Globe Group exceed £1,200 million.

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Notice of Redemption

Kimberly-Clark International Finance Corporation N.V.

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Indenture dated as of April 15. 1971. under which the above described Debenures were issue. First National City Bank Inow Citibank, N.A.) as Trustee, has drawn for redemption on April 15. 1985 through the operation of the Sinking Fund provided for in the said Indenture, \$306.000 principal amount of Debentures of the said issue, at the redemption price of 100% of the principal amount thereof, together with accrued interest thereon to the date fixed for redemption, of the following distinctive numbers:

Supplemental Control of the Case fixed for redemption, of the following distinctive numbers:

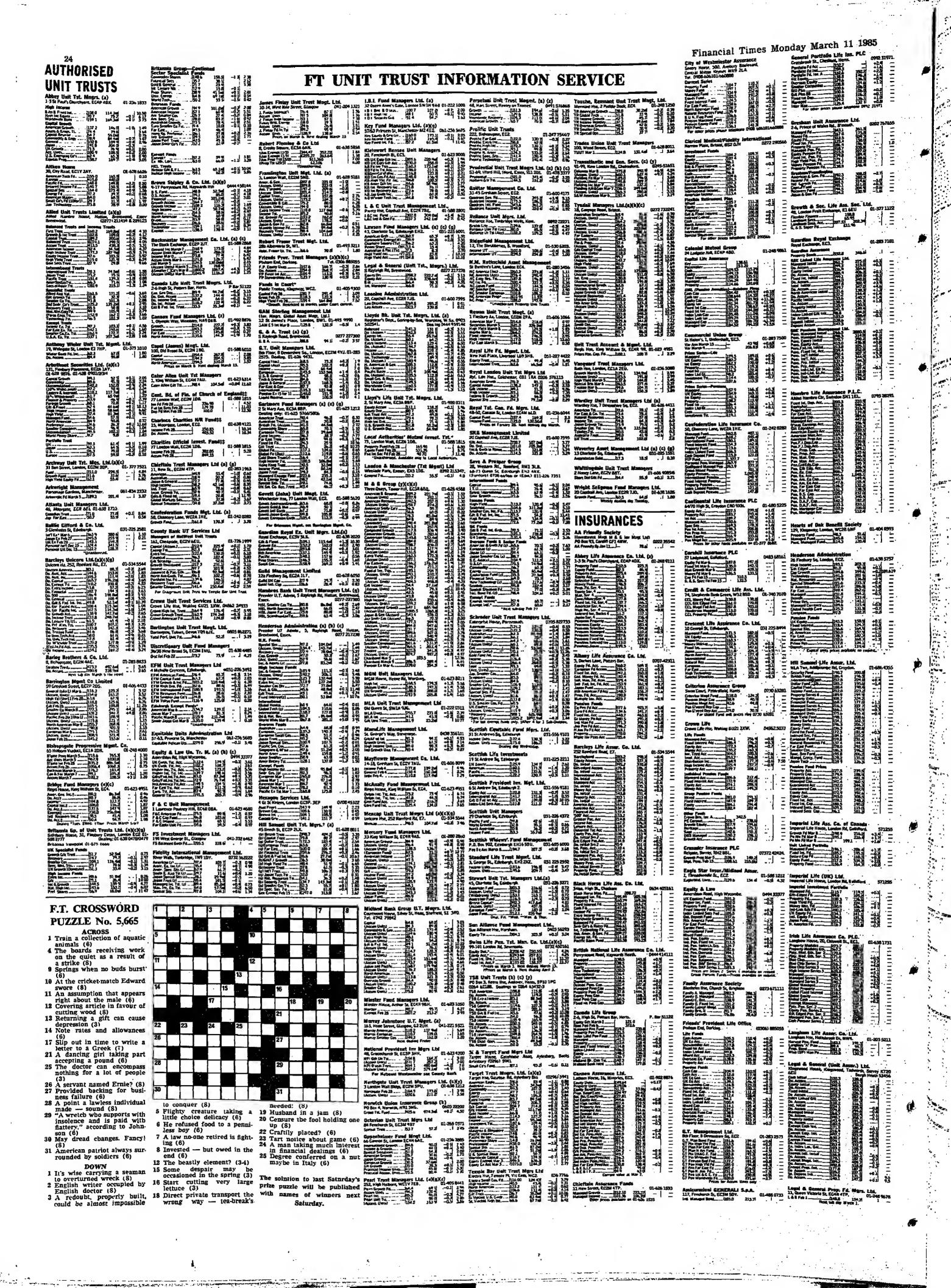
Supplemental Control Debentures Bearing the Prefix Letter M

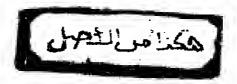
255 2511 Book 9775 10535 13915 (4169 15328 16367 17536 17779 1648) 46541 16469 15463 15915 (4169 15328 16365 1777) 16471 16677 16697 16697 16695 1419 2528 6639 16695 16361 16361 16361 16362 1419 15356 16373 17541 17640 16161 16617 16697 16695 1419 15356 16371 17640 17640 16164 16618 16622 16665 2669 2670 17622 17114 16460 16652 16665 16754 46678 17547 17640 16104 16618 16622 16665 4669 2670 17622 17114 16460 16652 16677 15757 16660 17752 17646 16191 16772 16665 46692 16665 16670 17670 17645 17646 16191 16772 16860 16629 16690 16770 17646 16191 16772 16860 16629 16770 17646 16191 16772 16860 16690 17690 17642 17666 16761 16771 16660 16660 17690 17652 17666 16761 16771 167

The Debeniures specified above will become due and pavable and. UPON PRESENTATION AND SURRENDER THEREOF (with all coupons appertaining thereto, maturing after April 15, 1985), will be paid on said redemption date at the Bond Windows—5th Floor of Chibank, N.A., 111 Wall Street, New York, N.Y. 10043, at the main offices of Chibank, N.A. in Amsterdam, Frankfurt/Main, London (Cry Office). Milan, Paris, and in Brussels, and at the main offices of Kredjetbank S.A. Luxembourgeoise in Luxembourg. On and after said redemption of the said redemp date, interest on the Debentures specified above will cease 10 accrue.

Coupons due April 15, 1985 should be detached and presented for payment in the usual manner.

KIMBERLY-CLARK INTERNATIONAL FINANCE CORPORATION N.V. By: CITIBANK, N.A.





Financial Times Monday March 11 1985 INSURANCE, OVERSEAS & MONEY FUNDS ave & Prosper Sc , Western Rd, Roodge 10.00 12.12 New Zoniand Interance PLC 110/214, Basier Avenue, Southerd. Phief In. row. Life.

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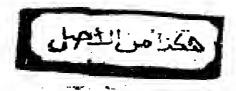
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Protocctive real recomption rate on projected inflation of 111 10% and 1215%. (b) Figures is parentnesses show RPI base month for inflations, 8 mooths prior to use. RPI for June 1984 351 9 and for January 1785 359.8. INT. BANK AND O'SEAS GOVT STERLING ISSUES 24May 26Sentiago for St. [March 2009.] 884 mt/22 2 11 476 11 54	See	July Wempry (Sec)	Agr. Oct Prizer Products 188 3.9 4.6 1.7 6.1 10.1 10.5	Ady Dec Electerist Prod, 50p 352 IS.10
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Financial Times Monday March 11 1985 INDUSTRIALS—Continued 2. Price Last Sir For Sire PIE LEISURE--Continued OIL AND GAS MINES—Continued INVESTMENT TRUSTS-Cont. PROPERTY—Continued Price ad Net C'er Re's Stock Price 1

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Wrt. Nigel 25: REGIONAL & IRISH STOCKS The following is a selection of Regional and firsh stocks, the latter being quoted in trish currency. Albary Inv 20p ... Quoted in Inv Albary Inv 20p ... 90 ... Craig & Rose £1 ... £10 ... £10 ... £10 ... £10 ... £10 ... £10 ... £10 ... £12 ... Amort
CPI Hidgs
Carrol Inds
Dubin Gas
Hall IR & H J
Heton Hidgs
Irish Ropes
Jacob IW & R ?
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Unidare Aug. Blysotr 25c.
Aug. Blysotr 25c.
Aug. Bluffels R1.
Aug. Declarasi R0 20
Aug. Bloorrdomen R1.
Feb. Driefontein R1.
Sept. Endstrend Sds. 20c.
Aug. Elsburg R2.
Aug. Hartschees 10c.
Aug. Bloof Gold R1.
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Aug. Bloof Gold R1.
Aug. Sood Feb. Striftonces 50c.
Feb. Striftonces 50c.
Aug. Veriferspost R1.
Aug. Western Aress R1.
Aug. Western Aress R1.
Aug. Western Peps R2.
Aug. Zandpan 10c. OPTIONS -- 3-month call rates LEISURE "Recent Issues" and "Rights" Page 14 Central African
150 24 15. Q100: 27 389
1231 22 254 - - -This service is available to every Company dealt in its Stock Exchanges throughout the United Kingdom for a fee of £800 per annum for each security.

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

BANQUE PARIBAS



U.S. \$200,000,000

Undated Floating Rate Securities

In accordance with the provisions of the Securities, notice is hereby given that for the three months interest period from 11th March, 1985 to 11th June, 1985 the undated Securities will carry en Interest Rate of 10% per annum. Interest due on 11th June, 1985 will amount to U.S. \$25.56 per U.S. \$1,000 undated Security.

Morgan Guaranty Trust Company of New York

London Agent Bank



GENOSSENSCHAFTLICHE ZENTRALBANK AKTIENGESELLSCHAFT

U.S. \$50,000,000 Floating Rate Subordinated Notes Due 1992 For the three months 11th March, 1985 to 11th June, 1985 the Notes will carry an interest

rate of 9% per cent. per snnum. Interest payable on the relevant interest payment date, 11th June, 1985 against Coupon No. 15 will be U.S. \$ 126-18.

Listed on the Luxembourg Stock Exchange. By: Morgan Guaranty Trust Company of New York, London Agent Bank

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22 Avenue du Mail 1205 Geneva Telephone: 41-22-283244 Telex: 422 556 FINV CH

Crossrate Systems, Inc. P.O. Box 99402 San Francisco 94109 Telephone: 415-441-6224 Teles: 595974 XXXX SFO

FINANCIAL FUTURES = LONDON High Low Prev 128.15 127.50 127.80 128.45 128.40 128.30 — 128.50 CHICAGO E500,000 points of 100% Close High Low Prev March 86.17 86.18 86.07 86.67 June 87.76 87.77 87.54 87.57 Sept 86.63 86.67 86.59 88.53 Dec 86.63 86.67 88.59 88.59 March 86.40 — 88.36 Est Volume 1.542 (1.274) Previous dey's open int. 6,629 (0.685) 20-YEAR 12% NOTIONAL GILT ES0,000 32nds of 100% March June Sept Dec Merch June Sept Dec March June CERT. DEPOSIT (1MM) \$1m THREE-MONTH EURODOLLAR (IMM)

Low Prev 0.2917 0.2939 0.2930 0.2964 — 0.2983 Close High Ltw 0.3464 — 0.3 o.3464 — 0.3 o.3468 — 0.3 olume nii (2) us day's open int. 137 (138) STERLING (IMM) Se per £ GNMA (GBT) 8% \$100,000 32nd

68-22 67-23 WEEKLY CHANGE IN WORLD INTEREST RATES

	MEATON	leum 80	HEM YORY	mas en o	CHAIR	1
LONDON Base rates	14	Unch' d	NEW YORK Prime rates	1012	Unch'd	ľ
7 day interhank	144	+1	Federal funds	81	-4_	l
Omth Interbank	181		3 Mth. Tressury Bills	8.56	+0.02	ı
Treasury Sill Tender	13,3718	I-O.8281	O Mth. Treasury Bille	8.85	+0.03	ŀ
Band 1 Bills	1878		3 Mth. CO	9.80	+0.10	l
Band O Bills	1334 185a	Uneh'd	FRANKFURT		ii	ı
Band O Bills	183		Lombard	5.0	Unch'd	
3 Mth. Treasury Bills 1 Mth. Bank Sills	185	-	One Mth. Interbank	6.40	+0.30	ı
3 Mth. Bank Bills	181	-3	Three month	6.55	+0,325	ı
O MAR DELIK DAILS		_	PARIS	J		ı
TOKYO .				104	Unch' d	١.
Otto Incitti pina	6,00125	Unch'd Unch'd		1034	+46	r
Three month Bills	6,34375	Unen a	Three month	10%	Unch'd	ı
BRUSSELS		(MILAN		1 1	
One month	10#	+ 6	One month	16 ₁₈	+18	ı
Three regnth	10	187	Three month	104	Unoh'd	ı
AMSTERDAM	,		OUBLIN			ı
One month	7.4	+ 56	One month	145g	1g	ı
Three month	712	+18	Three month	14%	18	ı
	i .	i		l		ł

London-based 1 bills restors in up to 14 days, based 2 bills 15 to 33 days, band 0 bills 34 to 63 days, Rates quoted represent Sank of England buyin

No place for the faint hearted

deflect the dollar's rise.

pushed

get range, giving rise to thoughts

lems created as solved in currency markets. Against a background of conflicting economic projections, confusion as to the exact position of the U.S. Administration regarding control of the deler and the prospect of the dollar and the prospect of European central banks emberking on another dollar-

The previous week's intervention was considered sufficient to influence trading last week as the mere threat of further concerted action reduced enthusiasm to push the dollar to new peaks. At the same time it highlighted a growing awareness of the amarent lack of concern the amarent lack of con-

correction in the dollar's valus would be taken as an opportunity by the Fed to tighten its monetary stance to check both the possibility of any runaway economic growth and its infactionary implications. This would involve higher interest rates which would once again add to the dollar's attractiveness. At the same time others were predicting a slowndown in money supply growth later this year, making it unnecessary to follow this course. bashing session, it was hardly surprising to see the dollar swing dramatically from time to time.

ness of the apparent lack of con-sensus in the U.S. as to the this course.

POUND SPOT-FORWARD AGAINST POUND

Merch 0	Day's spread	Close	One month	p.a_	Three months	p.a.
U.S.	1,0580-1.0710	1.0650-1.0670	0.48-0.43c pm		1.04-0.99pm	3.8
Canada	1.4810-1.4965	1.4910-1.4960	0.40-0.31c pm		0.71-0-57pm	1.7
Nethind.	4.08 -4.12	4.08%-4.09%	21-21-c pm		63-57spm	5.9
	72.70-73.25	72,70-72,80	25-20c pm	3.71	56-48pm	2.8
fleiglum	12.924-13.014	12.93-12.94	27s-17sore par	2.20	63-53pm	1.8
Denmark	1,1628-1,1696	1,1665-1,1676	0.06p pm-0.15d	-0.46	0.03pm43d	-0.6
Irelend		3.624-3.634	2'-2'-pr pm		85-65pm	7.1
W. Gar.	0.6112-3.64	1991-20112	125-450c dis			-17.3
Portugal	1974-2014		15c pm-par		24-25dls	-0.8
Spain	2001-2011	2001-201			5-11dis	~1.4
italy	2.2524-2,2714	2,2621,-2,2631,	par-2 lire dis			
Norway	10.354,-10.4412	10.374-10.384			24-15pm	0.8
Fmnce	11.044-11.134	11.05-2-11.06-2			7-6pm	2.3
Sweden	10.25 - 10.35	10.26 - 10.27	1-1,ore pm	0.80	par-7 ₈ dis	~0.7
Јерап	276 - 2794	279 - 279	1.79-1.69y pm		4.99-4.86pm	7.0
Austrie	25,40-25,60	25,45-25.55	17-15 arro ora	7.65	447-41-pm	0.7
Switz.	3.07 - 3.114	8.07-3.08-2	214-21ec pm		6 - Fapro	7.7
Sel	gien rete le fo		Iranes. Financi	al franc	73.20-73.30.	

OTHER CURRENCIES

		Į.		Æ
Mar. 8	£	0		Note Rates
rgentine Peso.	304.55 005.11	280.10 285,41	Austria	25,40-25,65
ustralia Dollar.	1.6400-1.5440	1.4410.1.4430	Beiglum	70.15-73.85
razil Cruzelro.		3 9974 017	Denmark	12.93-13.05
lelend Markke	7,5010 7,6365	7 0150 7 0200	France	11.05-11.10
IIIIIIII MAIRRO	101 00 154 17	140 56 705 54	Germany	
reek Drachmal	101.08-154.13	142.00 140.04	GOTHER!	2,014-2,044
oud Kouo nover	8,3830 B,3340	7,8010-7,8030	Italy	2245-2280
en Rial	100,0*		Japan	076-280
			Netherlands	4,0812-4.1212
exambourg F	72,70-72,80		Norway	
alaysis Dollar.	8,7780-2,7780	2.5980-2.6010	Portugal	194-206
ew Zealand Oir	2 2800-8-0000	0.1505 2.1740	Spain	1955, 200
audi Arah Rival	0.8075 3.8050	0.6120 3.6140	8weds n	10.21-10.31
			Switzerland	0.074-3.104
ingepore Durar	2 1 700 9 1970	0.0705 8.0410	United States	1.045-1.065
an Attrican result	7.0010 7.000F	5.0525 5.0740	Yugoslavia	250-290
A.E. DIFRARE,,	4,8210 5,0205 I	9.0190-2,0120	A TIBOSIWAIN ********	SOO-ERO

† Correction: Kuwait-\$ (Mer. 7) 0.30665-0.30875 EMS EUROPEAN CURRENCY UNIT RATES

from central rate rates 7.94775 2.22452 6.79802 2.51706 0.714461 1387.39 -2.37 -0.77 -1.11 -0.36 -1.55 -1.71 -0.11 -0.46 +0.31

0.201

EXCHANGE CROSS RATES

0.938

By coincidence value of heavy central bank those sitting on dollars at the intervention as a weapon to highest point of the week, on Wednesday morning, found the combination of a desire to take profits and testimony by Mr Paul Volcker suggesting a lower dol-

The latest U.S. money supply growth outside the Federal tarlar, irresistible and the dollar that any sustained downward embarked on an 8 pfennig or 23 per cent fall against the D-mark. It recovered some poise towards the end of the week but clearly the ability to pro-ceed on the dollar's longer term correction in the dollar's value

potential was being severly compromised by its short-term

STERLING EXCHANGE RATE (Bank of England) March 8 Preview 78.9 双磁

gyrations. FORWARD RATES AGAINST STERLING

BANK OF ENGLAND TREASURY BILL

£100m £95,655 DOLLAR SPOT-FORWARD AGAINST DOLLAR

Ciosa One month
1.0650-1.0670 0.48-0.43c.prs
1.9120-0.9150 0.48-0.35c pm
1.3886-1.4005 0.25-0.28c dis
3.870-3.8380 0.55-0.52c pm
68.15-82.25 12.123-12.134
3.4120-3.4130 0.54-0.79pf pm
187-1882 0.54-0.79pf pm
187-1882 0.54-0.79pf pm
187-1882 187.50-187.80 65-80c dis
1.724-9.734 0.56-80c dis
1.55-1.65e dis
1.55-1.65e dis
1.55-1.65e dis

CURRENCY MOVEMENTS CURRENCY RATES

Mar. 8	Bank of England Index	Morgan Guaranty Change %
ing	71.1 155.4	-18.6 +39.9
dian dollar	88.4 108.1	+7.4 +8.7
an franc	87.3	-10.0 -0.3
ti Kroner	70.1 118.1	+5.0
francon	188.0 108,6	+8.4
t tranc-	63.0 40.1	-16,0 -10,5
	155.5	+11.3

† Correction (Merch 6): +39.7 Morgan Guaranty thanges: 1980-1982=100, Bank of Engli

wise Franc

\$.080 2.900

0.849

1.808

),894823),951107

0,418 0.558

72,76. 68,80

30.06 361.0

65,78

17,78

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Pound Starling U.S. Dollar

Deutschemark Japanese Yen 1,000

French Franc 10 Swiss Franc

Dutch Gilder Italian Lira 1000

Canadian Dollar Belgian Franc 100	1,47		146	1,429 1,986	0,891 8,595	7,405 10,20	8,062 4,234	8,740 0,820		2	.053	48.71 100
EURO-CURR	ENCY IN	TERES	T RATE	S (Mar	ket clo	sing rat	tes)					
Mar. 8	Sterling	U.S. Dollar	Crh idian Dollar	Dutch Guilder	Swins Franc	D-mark	French Frano	ttalian Lira	Beigian Conv.	Franc Fin,	. Yen	Danish Krone
Short-terrs	144-144 14½-14½ 14½-14½ 134-137 10½-18¼ 10⅓-18⅓	84-856 85-85 85-05 012-959 1018-104 1076-11	1076-1118 1034-1118 1034-11 112-1134 1266-1268 1258-1278	714-756 714-756 756-719 756-718 75-714 769-754	014-536 3-8-54 012-546 54-578 568-534	5-51 ₈ 5-13-5-14 5-13-6-14 6-14-6-14 8-13-7	105s-1034 105s-1034 101d-1045 111d-1116 111d-1116 124-1239	13-14 13 ³ 4-14 ² 4 14 ¹ 8-14 ⁵ 6 14 ⁶ 6-10 ¹ 8 10 ¹ 4-10 ⁶ 6 16-10 ¹ 8	1056-1078 1056-1078 1054-11	10% 1050 1012-1034 1058-1078 16%-1118 1078-1118 1114-1112	6-15-6-15- 6-15-6-15- 6-15-6-15- 6-15-6-15-	184-13 124-134 18-184 18-1878 11-114 114-18

76,84 1000,

11.06

rates in Singapore)): Obort-term 81-82 per cent; seven days 814-814; per cent; one month 9-94 per cent; three months 91-915 per cent; one year 113-1115 per cent. Long-term Eurodollars; two years 112-12 per cent; three years 12-1214 per cent; four years 121-121

MONEY MARKETS

Little to go for before the Budget

U.S. Dollar | Deutschem kd. panese Yen

5,626 3,416

13.01

3,280 1,178

ally where it started. UK interest rates followed the same pattern, with the key three-month lyterbank rate showing little deviation from 14 per cent. Although the performance of the dollar ultimately affects UK rates, the market has shown some degree of success in partially divorcing itself from the frantic gyrations seen in the foreign exchange seen in the foreign exchange market. The relationship between sterling and domestic rates has been distinctly sym-

UK clearing banks base lending rate 14 per cent since January 28

FT LONDON

bid 0 9/16

INTERBANK FIXING

(11,00 a.m. March 0)

Six months U.S. dollars

offer 0 11/19

offer 10 7/18

MONEY RATES

For the time being the market has enjoyed something a programme geared towards lower interest rates.

At this point it all becomes a little arbitrary as witnessed by the 44 point rise in base rates this year, prompted mainly by

Despite the antics of the dollar, cost of the miners' strike there sterling's loss of confidence in the Bank of England's decision ally where it started. UK interest duce a reflationary package but rates followed the same pattern, sooner or later this must include market has enjoyed something. to renew only roughly half the £2bn special facility unwinding on Thursday. The new facility will run until April 25 which means that the total of ten porary credit will reduce in

March 7	Frankfurt	Paris	Zurich	/ A				
			Zarion	Amst'dam	Tokyo	Milan	Brussele	Doblin
Two months	6.16-6.30 6.20-6.40 6.30-6.50 0.6-6.8 6.0	10%-10H 10%-10H 10%-10H 10%-10H 10%-107g	034-256 014-558 034-576	7-718 718-714 	5,40000 5,00100 6,54370	153 ₄ -101 ₈ 107 ₈ -101 ₄ 16-102 ₉	9,60 10%-1078 1078-1118 11-1114	143-145 141-145 141-145

biotic with base rates of 14 per cent helping to underpin the pound at a time when other European currencies were being LONDON MONEY RATES European currencies were being sold to buy dollars.

Barring a sharp move outside recent trading ranges, the market seems likely to be influenced most by next week's Budget. Here again opinions differ on how much the year-long miners' strike and sterling's 8 per coot fall against the dollar from the beginning of the year will affect the flavour of the measures announced. Given the one-off

Discount Houses Deposit and Bill Rates 14-144

	Local Auth. regotiable bonds	Local Authority Caposits	Finance House Deposits	of (SDR Linked Deposits	ECU Linked Deposits
One month Two months Three months Two years Three years Four years Five years Five years	141-141e 141-107e 131-101e 131-187e 131-101e	12.1 12.1 12.1 12.1 12.1 12.1	14 18 13 184 187 ₆	8.85 8.05 2.05-0.15 2.25-0.35 2.25-0.35 10.2-10.4 10.6-10.8	878-918 014-014 012-94	10-1-10-1 10-1-10-1 10-1-10-1 10-1-10-1 10-1-10-1

MONEY RATES NEW YORK (4 pm)

Italy's economy has bounded out of recession and registered faster growth than virtually every country in Europe. Whether the country can consolidate that achievement depends much on whether the Government of Bettino Craxi survives. It has already lasted longer than most of its 44 post-war predecessors.

By JAMES BUXTON

In Rome

removed, and yet he still remains indispensable.

Italy has never had a Prime Minister like Bettino Craxi. In

The rewards of vitality

THE FIRST hint of Spring is in the air in Rome, but the belts of dying eucalyptus trees on the hills around the city are sad victims of the snow and intense frost—the worst in a generation—which hit the city in January and along the coast of Further north, in Tuscany, and along the coast of Liguria, the farmers are watching anxiously to see if Spring will revive their forlorn-looking olive trees, their bark split by the record low temperatures. Meanwhile, the Mayors of Rome and Milan are wondering if, in May,

they will be punished by the electorate for their lacka-daisical response to the winter emergency. Sig Bettino Craxi, the Prime Minister, is also looking to the nationwide local elections to learn the fate of his Government. If it survives until then, which it should, it will have lasted nearly two years—longer than all but four of Italy's 44 post-war administrations and longer than any since the 1950s.

Both his survival and the fact Both his survival and the fact that his Government has notched up a few genuine achievements is due to the curious balance of political forces that brought him to power in the first place.

So long as the Christian Democrats eschew pacts with the Communists, Sig Craxi's much smaller Socialist Party is crucial to coalition-making, Until he became Prime Minister. Minister Hke Bettino Craxi. In contrast to his predecessors he became Premier without filling any pational office except that of party leader—he had never been a minister or even a mayor.

It shows he is highly experienced in the ways of politics, but lacks knowledge of the ways of government. He is ambitious, yet seems to lack a medium-term strategy for the country.

his own man-and a large and commanding one at that.

He also comes from the Socialist Party. That does not mean he is a socialist—he shows mean he is a socialist—he shows few traces of that—but it does mean that his Government does things that a Christian Democrat government would probably shirk. By far the most important step his government has taken is to push through a measure which will strike a blow at the pervasive black economy by obliging shopkeepers and small businessmen to pay more

It is a reform that should eventually change the face of tion. Italian life for better or for Tr worse. The shopkeepers tax evasion has preserved many thousands of shops that would not exist under less forgiving tax rules. The tax measure, pushed through by the Minister of Finance, the severe Sig Bruno Visentini, with Sig Craxi's steadfast support, should make Italy more like the rest of Europe, where shops are fewer, and less personal, but more efficient.

talian Government. Because tion

Though Reaganomics is a firusted to make honest tax dirty word in Europe as the declarations, and because tax dollar soars, the U.S. Presinspectors have neither the dent's economic policy bas staff nor the patience to execute the problem of th Until he became Prime Minister, term strategy for the country, many shopkeepers cannot be Sig Craxi used this power to He gets angry and impatient trusted to make honest tax make life difficult for, or even, when his plans rum into pariations and because tax to bring down, the governments mentary obstacles. Yet while inspectors have neither the of which his pariy was a memberal and a government in which staff nor the patience to exber, But once he became Prime has own party its in a minority, amine their affairs in detail, the Minister, that thesat was he gives the impression of being the law lets the taxman make



Back row, left to right: Gianni Agnelli, chairman of Fiat, Italy's biggest private company; Luigi Lucchini, president of Confindustria, the employers' association; Franco Reviglio, chairman of ENI, the state energy company. Front row, left to right:

assumptions about their profits rency that bas shown such on the basis of their turnover. Strength in the Europan Mone-That gives officials immense power, not to mention band-notable capital inflow last year. opportunities for corrup-

That unpleasantness aside. however. Sig Craxi has not had to agonise over as many disagreeable economic measures as his predecessors. It has been his fortune to have been in power when the economy, with its customary vitality, has bounded out of recession and registered fester growth than registered faster growth than virtually every country in Europe. Inflation has dropped into single figures for the first time since 1973, thanks, in part, Yet, the measure also shows to Sig Craxi's action in temmany of the bad aspects about porarily limiting wage indexation

dent's economic policy bas in Europe. And its chairman, echoes in Italy: a very big Carlo de Benedetti, regularly now broadly accept that businent, fast growth and a curhis lightning operations—most Nothing remotely like the UK

Italian private industry is reaping the benefits of the untraumatic but thorough transformation that it underwent from the beginning of the decade. The achievement of Fiat in gaining control of its labour costs and rationalising its car production looks more striking now that has become obvious to everyone that Renault and Peuseot did not do the same. Pirelli, the tyre and cable maker, looks positively bouncy when its performance is set against Michelin's horrific losses and Dunlop's almost total abandonment of tyre-making.

Profitable

Olivetti is now one of the most profitable large companies in Europe. And its chairman,

holding company; Carlo de Benedetti, chairman of Olivetti; Cesare Romiti, managing director of Fiat; and Marisa Bellisario, managing director of Italtel, the telecommunications equipment group

tro! of Acorn in the UK. No less strikingly, bright, medium-sized concerns such as Benetton, in casual clothing, and their smaller sister companies such as Missoni, in fashion, are the most visible protagonist of Italian industry's assault on the U.S. market, where the strong dollar raised Italian exports by nearly 70 per cent last year.

The small companies owe their succes to hard work and flexibility, including the readiness to jump generations in technology. Flexibility is essential just to survive Italian bureaucracy and the banking

The big companies have often benefited from the generosity of the state in subsldising the laying-off of surplus workers, and from the fact that

But Sig Benedetti put his finger on it recently when be said that the problem "is not to compare the Italy of today with that of five or six years ago, but with the rest of the world today. As far as the private sector is concerned, the results are much worse."

It is a hrave man who would declare that the effort now being made to improve the vast industrial holding companies yet amount to a turnround in theeir disastrous fortunes. But at least reforms are being made, which is more than can be said for the rest of the state apparaadministration, whose clients often die before they bave received the money to which they are entitled; of municipalities that take years to reply to requests to instal a new bath-

CONTINUED ON PAGE 2

The network of industrial power -Page 7

ON OTHER PAGES • The political scene:

Tensions rise in build-up to local elections

Foreign policy and defence: commitment to Nato

Political profile: Natta, the Communist leader...

Banking and finance:
Far-reaching changes ...

Tax controversy

The economic recovery:

Wage indexation issue Government budget, net interest payments; wages and inflation; imports, exports, current account balance; national debt;

public sector deficit • Industry:

Private sector: larger companies confident ...

Profile: Gianni Agnelli

The changing ownership of industry

State industries: key

Profile: Elserino Piol of Olivetti

Business profile: expert

 Social issues: Crackdown on crime ...

Magistrate's war against the Mafia

Corruption in politics ..., 10

Spectator sport: football is big business 11 Cash crisis in music and

Profile: the grand old man of Italian literature ... 12

Television and the Press 12



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AT YOUR SERVICE IN ITALY AND EVERYWERE

Could it be otherwise? For more then a year a Parliamentary Commission, set up when despair about the

Thesa included giving the Prime Minister more power, altering the functions of the two Houses of Perliament to stop them duplicating each other, diluting an electoral system which carries proportional representation to extreme

tremes, and so on.
But a few weeks ago, the
commission failad. Every political perty is in favour of more power for governments, hat not if its rivals might enjoy it, too. The Communist Party has no interest in strengthening a system of which it is not likely to be a part.

And, maybe, that is just as well. In a country of very diverse regions and factions, the cancelling out between them of different interests may be bettar than the subordination of one to another. The Visen-tini tax law is only one example of the kind of harsh measure

petty and very persistent. If it were united to e strong adminis tration. liberty might be seriously at risk. It is not so much due to governments but to individuals that Italy has flourished since the war. The system is chaotic, archaic and inflicient, but it still creates







political lessendi

Left to right: Sandro Pertini, President of Italy; Bettino Craxi, Prime Minister; Giulio Andreotti, Tereign Minister; and Ciriaco de Mita, Secretary of the Christian Democratic Party

The local elections in May will decide the fate of the Craxi Government

Tensions are rising

THE ELECTIONS are not until May 12 but already they dominate every word and deed of Italy's political class. They are not general elections but elections to regional

governments and city administrations. Yet they are almost as important as general elections.

One reason is that the decentralisation of Government which has taken place in the past 15 years means that regional administrations now have considerable power, particularly when it comes to spending money and awarding contracts. Regional politicians have great influence on their national colleagues.

The build-up to

local elections

JAMES BUXTON

No one was more dismayed by this turn of events than Sig

hy this turn of events than Sig Enrico Berlinguer, the leader of the Communist Party. Though it had been obvious for years that Sig Craxi had no in-tention of doing a deal with the Communists, his becoming Prime Minister seemed to deal

have an unspoken veto on major acts of economic policy. The

Christian Democrats were par-

ticularly uneasy about the con-frontation which Sig Craxi pro-

But after four wonths of Com-

later. His funeral attracted

Sadness

But the main reason is that the elections represent the most comprehensive test of public opinion sinca last summer's European elections. In a country where opinion polis count for little, where voting is virtually obligatory and where the loss or gain of one or two percentage points in a party's vote can be of crucial significance, any election is important. Thus it was that a party with only about a tenth of the vote took control at Palazzo Chigi.

This time the local elections will not only determine the fate of Sig Bettino Crari's Govern-ment, but should also influence dar—that of the President of the Communist Party.
Though it had heen obvious for years that Sig Craxi had no interm of President Sandro Pertini, who is 88, ends in early July, and Parliament must elect that new President before then. It is quite possible that it will choose to re-elect President pertini.

Though it had heen obvious for years that Sig Craxi had no intention of doing a deal with the Communists, his becoming Prime Minister seemed to deal the coup de grace to Sig Berlinguer's dream of coming to power in alliance with the Socialists in what in party jar-

The last general elections, in June, 1983, produced a fall in the Christian Democrat vote that was, by the viscous standards of Italian politics, an earthquake. It dropped to its lowest level ever, 32.9 per cent, and raised alarm that has yet and raised alarm that has yet to die down that the strange amalgam of interests which have kept this centrist, Catholic party predominant, is now crumbling.

But for the five parties as a whole from which all govern-ments since the late 1940s have been drawn — the Christian Democrats, Socialists, Social Democrats, Republicans and Liberals—that election brought about no net loss of seats in Parliament. The smaller parties simply gained at the expense of the Christian Democrats. with Sig Craxi's Socialists going up by a hardly gratifying 1.6 per cent to 11.4 per cent.

But that didn't really matter for Sig Craxi. The demoralised for Sig Craxi. The demorated factor and a million people to they had no choice but to give Rome and caused an outpouring Sig Craxi the prime minister-ship he so desperately wanted. his party. A faw days later Italy

The results put the Communists shead of the Christian Democrats (by 0.3 of a point) for the first time—the "sorpasso" or overtaking which Nato countries are supposed to have nightmares about. But the Christian Democrats took com-fort from the fact that their vote did not actually fall—in fact it rose by 0.1 per cent.

Sig Craxi did poorly: the Socialist vote fell, by an exignous 0.2 per cent.

The European elections naturally changed nothing in Parliament. But whatever the effect on the result of Sig Berlingeur's death, the electorate showed that it was not impressed by Sig Craxi's "decisionismo" — the now forgotten term used to describe his dacisiveness over tha Scala Mobile.

Yet the fact that his party fell back actually made it easier for the Christian Democrats to tolerate his continuing as Prime. Minister.

An agreement thrashed out in the heat of July granted him tenure until the local elections—by which time his Government will have beaten all but four of its postwar predeces-sors in longevity. All three big parties approach

power in alliance with the Socialists in what in party jar-gon is called "the democratic the local elections with anxiety. The Communists, despite their Spurred on, too, by personal dislike of Sig Craxi, the Comgrass roots strength and organ-isation, seem to be failing to project under their new leader. munist leader declared unremit-ting opposition to him. Sig Alessandro Natta, a clear idea of where they are going and bow they intend to win The battle came to a head when, in February last year, Sig Craxi put a temporary limit power at the national level. on the Scala Mobila wage index-ation system in defiance of the Communist-oriented union, the CGIL, and in breach of the

Their assaults on the Christion Democrats and on Sig Giulio Andreotti, the Foreign Gaillo Andreotti, the Foreign
Minister and once their chief
interlocutor in the long-ruling
party; seem to have puzzled
rather than enthused their supporters. But they can still expect to win votes in local elections from those who would not
dare to support it in a national
noil.

Sig Craxi himself knows that if ba falls to lever his party upwards in the vote this time, But after four wonths of Com-munist obstruction, tha measure finally scraped through Parlia-ment. As it did so, Sig Berlin-guer lay in a coma in bospital in Padua, victim of a stroke from which he died a few days the knives will be out for him from tha left of the party, to which many of its traditional supporters still adhere. The local elections cannot, of

course, change the composition of Parliament but they can alter enormously how the parties view themselves and each other. If the Communists become tha biggest single party and the Christian Democrats decline,

it still calls the shots.

If, on the other hand, the five-party coalition has its just-tion confirmed or even streng-thened, then Sig Craxi might

last a little longer.
But, in any case, the strange anomaly by which both the Prima Minister and his superior. the President of the Rep come from the same minority party, the Socialists, seems inlikely to last beyond the summer. The Christian Democrats can be expected to use every means to recover one or other of the posts.

Paradox

The smooth attainment of that objective is threatened both by the tenacity of Sig Craxi and the tremendous national appeal of President Pertini. He is a phenomenon — a remarkably phenomenon — a remarkacy vigorous octogenarian who has tha knack of articulating in words of one or two syllables what the average Italian thinks. He has given the presidency the republic a prestige that it never possessed before. There is little doubt that he relishes tha thought of another seven, year term, even though he has not declared, his candidators and would be 95 by the time it finished.

The Communist Socialist and Republican parties have all indicated that they would vote for him. But there is a paradox here: the President of the Republic is elected by the two Houses of Parliament, whose members have collectively suffered the lash of Sig Pertini's many public strictu Italian politicians.

Many of them feel that the Italian Parliament, for all its inadequacies and inanities, deserves better than that, and they question whether he would not be better advised to retire while

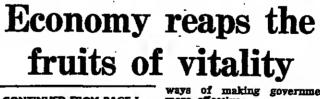
his popularity is at its height. The election to a second term of President Pertini is not a

of President Pertini is not a foregone conclusion: the Christian Democrats have some worthy, if rather uninspiring candidates in the wings.

Italian politics do follow e contorted kind of logic, but are affected by so many variables as to make prediction impossible. Nothing is smooth and nothing is clearcut, as the feverish assissions in smoke-filled rooms that are destined to succeed the present uneasy succeed the present uneasy

calm are certain to show.

But for those who care about tha governance of the country, it may be a relief to know that from this summer until the then Sig Craxi's days could ha numbered. The Christian Democrats would feel more inclined to snatch hack the prime ministership to emphasise that present Parliament expires in 1983 there are no more major elections in the calendar—un-less the present Parliament falls



CONTINUED FROM PAGE I

room; of medical schools that give certificates to surgeons who have never practised on a hody; and development agencies that fund bizarre "white elephants" in the Mezzogiorno, the still-backward South of Italy. To none of these has Sig Craxi devoted much of hia undoubted energy.

Encrusted, almost immutable institutions are the price of Italy's post-war political stability. "Democracy is blocked," as Sig Cirlsco de Mita, the leader

of the Christian Democrats, was

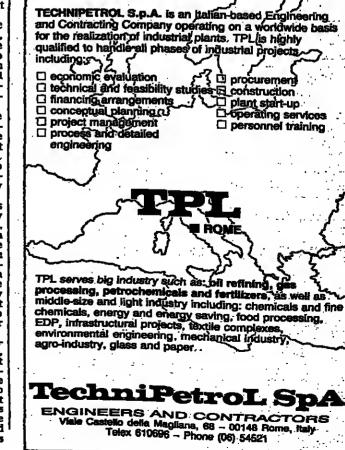
once bold enough to admit. He should know: with the Communist Party excluded from power, his party bas ruled without interruption since tha war. Deprived of the cleansing effect of alternation in government, the party, its allies and the opposition have created fieldoms throughout the country in industry, administration, even the arts. Governments represent only e delicata balance between the factions and the Prima Minister has to walk a tightrope to survive at all.

governability of the country was at its height, discussed

ways of making government more effective. These included giving the

of the kind of harsh measure that Parliament has few qualms about passing. Almost all the partia would like to dragoon the country into order if they had the chance.

The Civil Service is inefficient, but it is also ruthers, but it is also ruthers.





New Communist leader faces uphill task

Political profile: Alessandro Natta SARI GILBERT

"HERE I am, I cannot do other-

Addressing e recent meeting of the Italian Communist Party's central committee, the new party secretary, Alessandro Natta, a former high school teacher, was exercising his wellknown penchant for scholarly

This time Natta was quoting Martin Luther, in German, to warn the party's adversaries that the Communists could not be expected to take the lead in working out a compromise to avoid a referendum on Italy's wage indexation process, the scala mobile.

But the 67-year-old party leader's words might also have been taken as e comment on his rather uniuspiring per-formance in his seven-month stint as successor to Enrico Berlinguer, the popular opposi-tion party leader, who died unexpectedly last June.

Critics, both within and outside the party, feel that Natta, though personally popular and with long years of sound party experience under his belt, so far has failed to provide the West's largest Marxist party with strong and recompetition. with strong and resourceful

Grip loosened

On the positive side, whether out of design or of weakness, under the party's new leader the tight centralised grip that characterised Rerlinguer's rule has been "significantly relaxed,"

say some observers.

But on the debit side, the problems are said to be more heavily weighted. Although Natta appears to be holding firm on his predecessor's independent foreign policy stance — he recently repeated the party's acceptance of Nato, reasserted opposition to a Moscow-dominated Communist international party, and said Berlinguer's conviction, that the October Revolution had run out. of steam, was not a basic party tenet. In domestic politics there has been a zig-zag course that . is confusing both to many party. members and to its opponents.
Whatever Natta's shortcom-

ings may be, he can hardly be expected to bear all the blame, Rather, the uncertain Natta stewardship would appear, so far at least, to be the expression of a party in the throes of a prolonged and difficult identity crisis.

many as an unsatisfactory substitute.

Furthermore, Natta'a main short-term goal—a repeat of last spring's "sorpasso" or overtaking of the Christian Democrats in nationwide local elections, scheduled for this May—

year's European election finally allowed the party to boast that it had outpolled its major adver-sary (the predominant Christian Democrats)-albeit, by only a performance of Berlinguer, the few tentha of a percentage point and st a time, as observers rushed to point out, when the country was in the emotional throes of a Berlinguer funeral dirge—It appears more undecided than ever as to its future direction.

In part, this is the result of today's unsettling political realities. With the socialists firmly esconced in the Prime Minister's seat at Palazzo Chigi, the opposition Communists have been deprived — some say permanently—of their natural partner for the policy of "alternative" to Christian Democratic rule with which Berniciance rine with which Berlinguer several years ago re-placed the no-longer popular "historic compromise" with Italy's Catholics.

But the recently-announced Copernican Revolution," a seemingly inappropriate seemingly inappropriate metaphor for tactics emphasising programmes rather than ideology as the basis for future governments, has appeared to



Berlinguer, the former Communist leader whose sudden death, nine months ago, left the party hierarchy shocked and unprepared. He had not groomed a successor.

tions, scheduled for this May—could be jeopardised by major Although the results of last kickback scandals in two cities held up as showcases of Com-munist rule—Turin and Bologna. Certainly, the decade-long

performance of Berlinguer, the man who invented an historic compromise, guided the Italian Communists to the hrink of rupture with Moscow and hrought the party closer to power than et any time since 1947—would, in any event, have been a hard out to fellow. been a hard act to follow.

But seven months after
Berlinguer's death, the slender,
somewhat dour Sardinian Natta
remains the party's major
political point of reference, a clear sign that so far at least his successor has been unable to leave an indelible mark on the

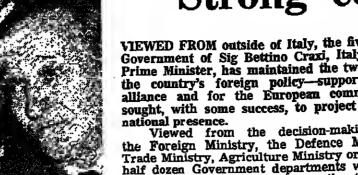
party apparatus. Election

But almost certainly, the near manimous election of this butcher's son from Liguria in north-west Italy hy tha party's central committee last June, was inevitable. Although Berlinguer inevitable. Although Berlinguer had not groomed a successor, he had been quietly nudging Achille Occhetto, the party's propaganda chief, in thet direction, when the 62-year-old leader died suddanly of a cerebral haemorrhage.

The party hierarchs — those of Berlinguer's own generation, as well as the aspiring 40 and 50-year-olds — were so shocked by Berlinguer's unexpected demise that they had not the time, preparation or energy to stake their own claims for the party's highest post. The only choice was to opt for "continuity" and a comfortable period of transition that they hoped would allow a new authoritative leader to emerge.

The ohvious answer was Alessandro Natia, then 66, a small, greying man with glasses, having a professorial image rather than a charismatic air, and a liking for baggy suits. Both men valued their rivacy and both were married to Catholic wives. Natta had been a close aide of Berlinguer for 10 years, often being refer-red to as the party's number

Strong commitment to Nato



Natta: seen by senior party members as more tolerant and henevolent than his predecessor.

party career dates back to 1946 and includes 36 years in parlla-ment; editorship of tha party weekly publication Rinascita; a stint as a close collaborator of Palmiro Togliatti, the party's first post-war leader. He had a reputation as a loyal "Berlingueriano" and, from 1979 to 1983, held a key role as Communist party whip in tha Chamber of Deputies.

Ferhaps the most reassuring aspect to some of his alectors was Natta's age, which meant that tenure would inevitably be limited in time. Indeed, Natta's insistence that he sccepted the post out of duty, and will not be a secretary-for-life (as is generally the Communist rule). has led many to speculate that the new secretary may even Congress in 1987, allowing himself to be pushed upstairs to the largely ceremonial post of Party President. step asida at tha next Party

In the meantime, Natta is at the helm and it would be unfair to say that he has done nothing to distinguish his rule from thet of his predecessor. For the most part, however, critics lament the ebsence of an overall design in party positions and eccuse Natta of "riding all tigers rather than selecting a particular one," as one political aide claimed recently.

Perhaps those people who ere most satisfied with the new regime are several of the two dozen or so top party hierarchs in Roma who had begun to find life with Berlinguer somewhat suffocating. Non - communists, who, in the past, criticised the co-ordinate foreign policy; too party for an excess of demo-cratic centralism now complain and benevolent than his preto as the party's number decessor and welcome this deve-nan.

congenial man, Natta's really surprise them.

VIEWED FROM outside of Italy, the five-party coalition is e serious Nato partner—it was quick to accept in 1979 the Government of Sig Bettino Craxi, Italy's first Socialist Prime Minister, has maintained the two basic tenets of group to deploy Cruise missles the country's foreign policy—support for the Nato alliance and for the European community—and has sought, with some success, to project a greater international presence.

هكذا من المعل

Viewed from the decision-making trenches at the Foreign Ministry, the Defence Ministry, Foreign Trade Ministry, Agriculture Ministry or any of the other half dozen Government departments which like to get involved in the policy process, the truly remarkable thing about Italian foreign policy is that it exists at all.

Defence and

foreign policy

ALAN FRIEDMAN

which it frequently represents.

Now, more than ever, Italy

Continuity

tion (Nato).

International Affairs.

This is because of the in-This is because of the in-herent structural weaknesses in Italy's policy-making system: a Prime Minister who presides over a multi-party coalition of conflicting interests, and who lacks, at the Palazzo Chigi, the bureaucratic means for taking much more than a rhatorical lead on policy issues. lead on policy issues.

The political strength of the present Foreign and Defence Ministers only adds to the rela-tive weakness of the Prime winch in the current single winch in the current single winch, the Foreign Minister is Sig Giullo Andreotti, Italy's veteran Christian Democrat politician. The "maestro" himself. Five the "maestro" himself. Five west German Foreign Minister, Christian Democrat politician, the "maestro" himself, Five times a Prime Minister in post-war governments and the man who controls the Rome political machine for his party, as well as a key faction which represents nearly 13 per ceot of the Christian Democrat vote.

The Defeoce Minister, Sig Giovanni Spadolini, is e veteran centrist politician, leader of the tiny Republican Party, which in Italy stands for middle to uppermiddla class values. Sig Spedo-lini has also served as a Prime Minister, he was the first non-Christian Democratic Prime Minister in recent history.

Pragmatic

Then there is Sig Craxi himself, a Socialist in name who has purged his party's power structure of the real socialists. and who steers a pragmatic and centrist course through Rome's choppy political waters.

Sig Craxi's critics claim he is too inexperienced internationally and, for the most part, more concerned with setting longterm policies.

many ministries take indepen-dent initiatives; ministers leave there are too many voices speaking out. Many insiders do not, however, share this view. They see Natta as more tolerant they see Natta as more tolerant they have also as the second of result. Italy is not credible where it wants to have in-fluence," comments Dr Gianni fluence," comments Dr Gianni Bonvicini, vice-president of the

But in moving quickly to accept missiles at Comiso in Sicily, the Italians, most importantly in eyes of Washington, again proved their reliebility as an ally. The Comiso decision also enabled West Germany to go shead and accept Cruise missiles on its soil, a decision with much graver consequences at home.

Italy has always depended heavily on the U.S. for its defence and has never put difficulties in the way of Washington. In fact, Italy is now spending enough on defence to meet Washington's demand for an annual everage Nato increase in real terms of at least 3 percent (even if it is one of Nato's Rome-based Italian Institute for cent (even if it is one of Nato's Here are two recent examples lowest spending members on defence on a per capita basis).

which illustrate the problem:

Sig Francesco Forte, Italy's The American attitude to Italy is warm and positive: Italy causes no problems for Washington and is a good Nato member. At times, however, the Amarican attitude towards Italy can be rather condescending on the with the large rather to the common ground can be found.

Italy can be rather condescending on the with the aspiration that common ground can be found. west German Foreign Minister, ebout detailed proposals for enlarging the European Com-munity. Unfortunately, Sig Andreotti, the Foreign Minister, had already held talks with Herr Genscher on exactly the same subject, just one week ing, as though Italy is a "well behaved" Nato member.

decision to be one of the first three Nato allies to accept cruise missiles on its soil, one American official called the Middle East which

Italian policy toward the Middle East which he felt appropriate: he flew to Israel. better, however, and would disagree violently with this interpretation. The Italians It is, of course, all too easy to criticise Italian foreign policy, for its disorder, its overblown rhetoric and the know that accepting cruise missiles was a risk in domestic political terms. A risk which they took with no small apprehension. unfortunate foreign projection of domestic political squabbling

Besides its commitment to Nato over the past 40 years, Italy's other most consistent policy is its commitment to Europe. This commitment will ha highlighted in June, in Milan, when Sig Craxi presides More significant, perhaps, are the threads of continuity in Italian foreign policy which can be found in its attitudes to northern Europe and to the over the European summit at North Atlantic Treaty Organisa- the end of his six-month term as President of the European Community.

Since World War Two, Italy'a The Italians, perhaps more devotion to the Atlantic alliance than any other member of the EEC, are convinced Europeans. This enthusiasm for the EEC runs through all of Italy's major has never been in doubt (despite an international campaign against the influence of Italy's Communist Party in the 1970s, a campaign guided by then Secretary of State, Henry Kissinger). political parties.

related to the adm be sorted out. And Sig Craxi clearly hopes to nudge this process along. Institutional reform of the European Com-munity and the long march towards political union are other issues to which the Italians believe they contribute.

Among the more delicate issues in political terms is the question of whether the European Community should have a Middle East peace initiative. At the Duhlin summit last December it appeared that Italy had failed to win backing from its Community partners to take an initiativeleast, was the impression conveyed.

Sig Craxi, however, is holding a series of meetings with prominent Arab leaders as well as Mr Shimon Peres, the Israeli Prime Minister, who last mouth made the first visit to Rome of any Israeli head of govern-ment. The object of this exercise is to contribute to the

Italian foreign policy tradi-tionally has e tendency to seek out opportunities for concilia-

tion.
"The Italians like to see themselves as mediators," says one Rome-based diplomat.

Helpful role

Beyond the solid commit-ments to Nato and Europe, Italian foreign policy becomes far less ideological and far less consistent.

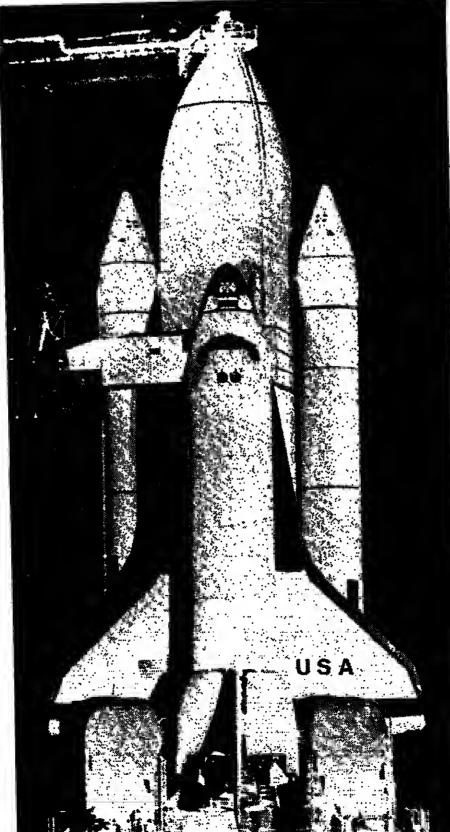
"They are mercantile. They will talk to anyone and sell to anyone," remarks a Rome-based foreign diplomat.

oreign diplomat.

"To really influence situations in the Third World you need to be nowerful and you need a clear strategy. Italy has neither attribute," declares Dr Bonglein.

In the medium-term, Italy can be expected to continue to seek to play a helpful role where it can in the Middle East, to fol-low Nato decisions ragardless of the government in Rome and to support the quest for greater

European unity.
Italy wants to project an international presence, and given the constant melodrama of political life in Rome, projecting foreign policy through trips and negoti-ations is a good deal more rewarding for Italian politicians, as well. What is needed, per-What can be achieved, how-ever, during Italy's current haps, is more co-ordination at term as president of the home.



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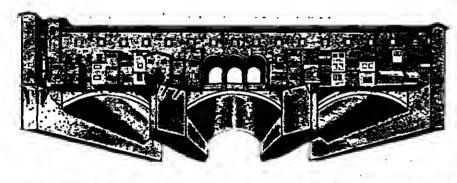
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Far-reaching changes ahead

THE ITALIAN financial system feels itself to be understendable at current shadow interest rates; in mid-February, deficit.

on the edge of a far-reaching process of change.

This is made possible by a steadily falling inflation rate, several important modifications to the regulatory environment of the banks and, not least, a widely shared belief that new life can be breathed into institutions and market mechanisms that have long been stunted and dust-laden by the standards of other advanced industrial economies.

Where the process of change may lead, and bow rapidly it may unfold, no one can say. The cautious, and even elightly disbelieving, self-confidence of the financial world could easily be deated by a significant rapidly. be dented by a significant re-treat on the part of Sig Bettina Craxi's Government from its stated objectives of checking the rate of growth of the pub-lic sector borrowing requirement and using its influence to ensure a continuing moderate rate of wage increases this year. There is also no chortage of scepticism as to how deep the commitment to change really runs among Italian bankers, hrokers and corporate execu-

Yet in several areas, there may be no going back. The Bank of Italy, which has throughout the post-war period served as the spine of the financial system, has willingly re-

It has also relaxed its traditionally strict rules as to what eort of lending banks may undertake, contenting itself with the use of interest rates and compulsory reserve requirements to influence manetary developments.

Supervision

At the eame time, the central hank has been systematically tightening its prudential super-vision of the Italian banking system since 1981 — a policy that was not far enough imple-mented to have been able to prevent the Banco Ambrosiano collapse, but which officials hope will help repair any lingering planned, damage from that unhappy It is a affair to Italy's international Italian pe

The Bank of Italy has taken steps to make banks produce consolidated, worldwide accounts including more information on foreign branch

It has set up a structure to analyse country risk, and it has taken powers to withdraw any taken powers to withdraw any Italian bank's anthority to participate in a foreign entity if it is not fully satisfied with the flow or quality of information reaching it. And while the Bank of Italy has not yet got a firm grip on the Istituto per le Opere di Religione, the Vatican bank, it had the grim satisfaction of seeing the Vatican publicly humbled last year when the IOR paid some \$250m over to foreign creditor banks of Banco Ambrosiano

If the central bank's concern to improve the supervisory structure and to press for more effective international co-operation among regulators has caught attention abroad, the changes it has brought about within Italy are also beginning to make themselves felt.

The commercial banks are now free, in theory, to set their own interest rates and are comown interest rates and are com-peting with one another for funds. In the words of Dr Lucio Rondelli, managing director of Credito Italiano, "after e long period of being administered, the market can express itself again."

In some respects, this awakening is proving a rude one. Banks are finding out that, in the quest for funds, some are more equal than others. Institutions with the strongest capital bases, or with the widest deposit-collecting networks, are better placed to compete aggressively for customers' loan business than those obliged to fund themselves on what is currently an expensive money market.

Banking and

Professor Gianni Zandano, chairman of Istituto Bancario San Paolo di Torino, is one banker who believes that the stronger banks will be drawn increasingly to take over regional and local institutions with an attractive deposit-gathering base.

finance

ADRIAN DICKS

Last summer he put his belief into practice, not for the first time, with the acquisition of Banca Provinciale Lombarda, based in the prosperous Bergamo area.

He argues, too, that "the served as the spine of the financial system, has willingly relinquished its powers to control, and even exercise "moral
sussion" over, the volume of
banks' lending.

It has also relaxed its
traditionally strict rules as to banks."

> Although often accused of overstaffing and inefficiency in their retail operations, big Italian banks are keen to demonstrate how hard they are now trying to woo the private

They are justifiably proud of the national Bancomat system, offering automatic teller services hased on a card whose specifications are common to all issuing banks. An improved automatic transfer system is being introduced in some areas, while a national credit card based on the Eurocard is

It is small wonder that the Italian private customer should find himself or herself so switzerland and beyond a few persons of the property of their after atios of any mation—yet borrow relatively little. That is perhaps

banks were paying about 14 per cent on three-year savings accounts. They were charging a notional 17 per cent prime rate to corporate customers, with small business and personal customers paying well over 20 per cent for funds.

According to Sig Enrico Braggiotti, joint managing director of Banca Commerciale Italiana, demand for loans from Italiana, demand for loans from Italian banks rose hetween 12 and 13 per cent in 1984, a

and 13 per cent in 1984, a surprisingly strong performance given relatively moderate economic growth of around 2.8 per cent and a relatively low level of husiness inventories.

As Sig Bragglotti is quick to point out, however, much of the 1984 demand for loans included those customers including those to customers, including companies who promptly reinvested the proceeds in tax-free Treasury securities.

Funds

A long succession of weak governments, unable to imple-ment unpalatable cuts in state subsidies or social services, has left the Italian Treasury with e seemingly insatiable appetite for funds, as well as with the legal means to add such frills as tax-exemption to its paper in order to be able more easily to scoop all it needs out of the national pool of savings.

By some calculations, as much as half the nation's savings are invested in Treasury securities, much of this directly as part of a process of disintermediation that causes bankers concern.
Official economists have them-

selves been sufficiently con-cerned at the distortions caused to the financial system to have prompted a change in tax regu-lations that effectively prevents companies from funding their Treasury bond positions with

Yet closing this relatively small tax loophole is unlikely seriously to have deprived the Treasury of funds at a time when many Italian companies are flush with cash, and when "fugative" funds smuggled to Switzerland and beyond a few

new record levels.

Dr Guido Vitale, founder and chief executive of Euromobiliare, the Milan investment bank, detects a cultural change in Italy whereby "not only Communists, but Catholics, too, have become reconciled to profit. It is no longer a sin."

He also points to the change that has come over the financial markets since the days when "people had good reason to stay away; there were no audited eccounts and directors could hide things if they wanted."

By contrast, listed companies are now obliged to present audited reports and accounts while the Consob, the stock market's regulatory agency, has been given new supervisory powers end is being widely credited with starting to carry ont its duties more rigorously, even if some are suspending judgment until it has won a major victory or two.

By general consent, the most By general consent, the most exciting recent financial development on the investment scene has been the rapid growth of mutual funds since they were first given the go ahead last summer. Over a dozen are already operating, and have attracted an estimated 1.2,800bn (£1.3bn) of small investors' savings. savings.

Prospects

Another 20-30 are thought to be close to being launched. In a narrow market, where private investors had become virtually extinct and where a few large groups controlled by the coun-try's most powerful financiers had long been dominant, the mutual funds introduce several novelties' which, the optimists argue, could greatly expand the



Carlo

growing interest shown in the Italian market by foreign insti-tutions may work towards the same objective.

In the longer term, the growth of the funds, by supplying the liquidity to sistain prices and trading volume, could

help entice more companies into issuing quoted shares.

The process is likely to prove a slow one; Dr Vitale, whose firm led five of last year's seven. firm led five of last year's seven new equity issues, points to the scepticism that greeted several of these (unjustified at recent price levels) and says he sees little prospect of a flood of new companies to the Bourse in 1865.

companies to the Bourse in 1985.

The market's recent strength leads some experts, such as 32 Urbano Aletti, e leading bronger and former chariman of the Milan stock exchange, to feat a shortage of paper. A series of rights issues last year, led in size by Flat's L675bn issue, was easily ebsorbed by the market, brokers expect others to follow this year. Yet only some 350 this year. Yet only some 150 stocks are listed in Milan, and of these only around 30 enjoy. an ective market.

"With an economy the size of ours, there ought to be at least 1,000 companies quoted,"

Sig Aletti says.

He also points out that the equity market's total capitalisation is only about one-twelfth the size of the state debt. Hinge changes are likely to be needed in the structure of Italian

The controversy rages on

New taxation measures

DAYID LANE

THERE WAS more than a touch of strait-laced morality to the recently concluded campaign to introduce tougher measures in Italy's fight against tax evasion. Standing on the side of righteousness were regiments of taxed at-source employees and the vocal battalions of upright trade unionists, with Brune Visentini, the Finance Minister, at their head.
On the other side, the ranks

of the less righteous were filled with doctors, lawyers, shop-keepers, tradesmen and vast armies of supposed tax "evaders" unwilling to bear their share of the fiscal burden. The war of attrition between the authorities and Italy's hordes of reluctant taxpayers has been going on for several years, but in the recent campaign it reached previously un-recorded heights of animosity. "Really disgusting," is how Signor Visentini described the low levels of income declared, and tax paid, by the self-employed and professional classes, details of which were published last Spring in e ministerial "white book."

"I pay taxes, how about you," was the theme devised by the Socialist trade union, Unione Italiana del Lavoro (UIL), to highlight the division between the two camps, empha-sising the sense of moral superiority among its followers, and isoleting and demoralising the evaders.

Mean streak

But if UIL's theme showed e wicked streak, the facts pre-sented by the trade union were Using the technques of candid

camera, camouflage and Q-thips, trade unlos officials and belpers carried out ther own field research to prove that tax evasion is a well-entrenched reality in Italy, and is far from being a figment of their imaginations or that of Signor Visentini's. From headcounts in Rome's most popular bars and coffee houses, and using other parameters of commercial activity, UIL made estimates of turnover and compared these with what proprietors actually declared. The differences were

Not cootent with illuminating the activities and taxes of the capital's bar proprietors, UIL also turned its spatight on shopkeepers and doctors, givine figures and a sample of names. This moral campaign was not without its critics, however. The public prosecution and trial of individuals by the trade union was considered by maoy, even taxpayers, to be improper,



Finance Minister Bruno Visentini: he described some income as really disgusting

Social justice and fiscal reform mey be eminently reasonable objectives, but this cannot justify trade unions playing at tax inspectors, lawyers said.

Misgivings have also been expressed about the way that the Italian press publishes the names, incomes and the tax paid by the country's biggest (declared) earners.

But the analysis of 1981's tax returns, the figures whose pub-lication last year caused Signor Visentini's angry reaction, pro-vides a clear insight into the reason for the trade union'e aggressive and unconvectional approach to exposing the lack of fiscal equity.

While Italy's 1m shopkeepers declared, on average, an in-

come of L6.5m, shopworkers on the payroll could not evoid belog taxed at source on earnings of L8.3m. And while tradesmen of 18.3m. And while tradesmen and small factory owners declared incomes of 17.6m, on average, the country's 5½m industrial workers each received 18.2m in their pay packets.

"It is just not credible that the boss should earn less than his workers and that the shop-

his workers, and that the shop-owner should make less money than the girl behind the coun-ter," said a Communist trade unionist. It also seems improb-able that Italy's lawyers (average declared income of Li0.6m in 1981) and doctors (Li2.1m) should have earned amounts which were not significantly higher than their secretaries or

higher than their secretaries or receptionists (I.8.9m).

A decree law was passed and published on December 19, thus ensuring that the measures became effective from January 1, and the decree was then endorsed by parliament, albeit on a vote of confidence, and convarted into law narrowly within the constitutional 60-day time limit. Only six months time limit. Only six months had elapsed between the first discussions of Sig Visentini'e proposals in August and their returns, tax officials will be

definitive parliamentary appro- allowed to rectify returns and val in February.
The legislative package con-

tains three measures which Not surprisingly, there have particularly disturbed Italy's been widespread expressions of and tradesmen were so upset the shutters en masse, in an attempt to obtain some softening of the rigid Visentini line.

Armoury.

The three measures designed to reinforce the enthorities' armoury in the fight against tax evasion are changes in the rules regarding income splitting in family concerns, the intro-duction of a forfelt system for calculating value edded tax and

Until the Visentini law, ocome in Italy'e numerous family concerns could be split between the owner and those members of the family helping in the business, thus allowing the overall tax burden to be reduced. Now only 49 per cent of the business's net income be split between the family.

Moreover, the new legislation requires that the work of family members must be confamily members must be con-tinuous and eignificant, and their participation must be officially registered in order for income splitting to be fiscally

Even harsher is the new way in which VAT will be calculated and costs offset against income under the forfeit system, epplicable to small businesses keeping elmplified accounts.

The legislation lists two sets of coefficients (one for income tax and the other for VAT) for

lay down what the individual or business has earned.

TEN Y

I SCALE

self-employed and professional concern at the arbitrary nature classes. Indeed, shopkeepers of this method of tax assess. of this method of tax assess-ment, and the extensive possiby the proposed changes thet twice during the autumn they shut up shop and pulled down bureeucracy for abuse and corruption. But objections over-ruled, the

battle over and the 70-year-old ministerial victor retirement, Visentini package is now law. What effect will this have in

real terms on Italy'e masses of tax evaders?

Have they been frightened, and will they now join the ranks of the law-abiding burden sharing taxpayers?

The answer is that probably income tax for the self- The answer is that probably employed and small firms, and some will be totally won over, the introduction of inductive others will be partially reformed, lapsing every now and again into wicked ways of tax evading, and the rest will remain completely indifferent, as though Visentini had never

As with all new measures if is essential to keep a sense of proportion. When consecutively numbered goods - in - transit notes were made compulsory about five years ago there was great concern, among business men, that this would put a total stop to unrecorded income from black sales.

Auxieties

Similar fears were expressed over VAT involces and fiscal recelps, but the vast inventiveness of ltaly's reluctant tax payers and their non-aversion to risk-taking has enabled them to overcome these anxieties.

Certainly there are penalties and threats of "handcuffs for the evaders." But how seriously. can they be taken, or should they be taken seriously at all?

tax and the other for VAT) for the various categories of profession and business activity.

Bar owners can now only offset 37 per cent of gross income, together with rent, staff labour costs, depreciation and interest charges, as tax deductible costs. This coefficient covers all the costs of raw materials and general and overhead expenses.

In the case of self-employed a professionals, the forfelt coefficient is 16 per cent and this figure covers all telephone, lighting, travel and hotel expenses. Moreover, interest charges are no longer tax deductible.

But the third measure, caushing most sleepless nights, is inductive tax assessment, to which people and businesses tusing simplified accounts are dexposed. Where irregularities or fiscal receipts, or where there has been a failure to make annual VAT or income tax returns, tax officials will be

Italy's economy is now stronger, but further Government action is essential to consolidate economic achievements

Hard-won successes

THE FTALIAN economy enjoyed its sunniest year this decade in 1984. It finally broke out of recession and expanded by 3 per cent—faster than any country in Europe, except Denmark. Inflation fell below double figures for the first time since 1973, and the Government accounting.

Several times greater than the deficit of almost any other industrial country. Part of the improvement, however, was due to what has been called creative accounting. figures for the first time since 1973, and the Government

almost hit its borrowing requirement target.

This year, however, the prospects are already a little less cheerful. Italy's trade deficit is causing anxiety; the Government does not seem to be making inroads on its mountainous deficit; and the prospects for further bringing down inflation are threatened by the unguided missile launched by the Communist Party in the form of a referendum on wage indexation.

Economic

recovery

JAMES BUXTON

two most important causes of

Italian inflation, the quarterly triggering of the Scala Mobile

has at least reinforced it and kept up inflationary expecta-

After two years of talks, Government, unions and em-ployers finally agreed in

It failed to get the consent of the Communist CGIL trade

Scala Mobile would not compen-

The successes of 1984 were a hard-won reward for those officials and ministers who for years have striven to influence those few parts of the economy which are susceptible to con-

Unlike other countries, Italy cannot really use public exenditure to regulate demand: the political system always dictates that more money rather than less should be spent, and that current spending takes precedence over capital out-

lays.

Mainly because governments shouldered vast health and pen-sion commitments in the late 1970s, public spending in Italy rose from 45 per cent of gross domestic product towards the end of that decade to 58 per

Government, unions and employers finally agreed in
January 1983 to cut the degree
of protection against inflation
given by the Scala Mobile from
about 80 to about 65 per cent.
But the cut in indexation was not
enough to make a serious dent
on inflation and last winter the
government of Sig Bettino
Crari tried again.
It failed to get the consent of cent in 1983. taxation rise in step—its propor-tion of GDP went up only from 36 to 42 per cent, leaving an immense gap to finance.

Abundance of spending

union to a voluntary agreement, but instead, with the consent of the other two unions and of the employers, ordained that the The sheer abundance of government spending at least ensured that the recession in Italy after the second oil shock was never very deep—the actual decline in GDP was minimal. On the other hand the deficit, exceeding 15 per cent of GDP, fuelled inflation and between 1981 and 1983 the cost of living index only came down from

about 18 per cent to 15 per cent.
The anthorities only real
weapon of economic manageweapon of economic manage-ment has been monetary policy. Whereas, in the past, the Bank of Italy was prepared to print money to fund the Government deficit, it has since 1981 insisted that the Government borrows every lire of it, mainly hy issuing treasury bonds which have become by far tha most popular form of investment for popular form of investment for Italians, even factory workers. The other side of tha coin, however, has been very high interest rates, the crowding of the private sector out of most financial markets, and tight restrictions on bank lending (which have only lately been loosened somewhat). Even now,

loosened somewhat). Even now, the official discount rate is still 15.5 per cent, compared with an infiation rate of 8.6 per cent. Many companies still pay around 20 per cent interest for Governments have, however,

been able to influence the economy by tackling the perni-

accounting.

were satisfactory—the halance of payments current account, which was wreached into a modest surplus in 1983 after years of vast deficits, is thought to have recorded a deficit of the pay of its own millions of employees—and does this just before this May's important local elections—wages are set to increase by ahout to have recorded a deficit of the pay of its own millions of employees—and does this just before this May's important local elections—wages are set to increase by ahout to have recorded a deficit of the pay of its own millions of employees—and does this just before this May's important local elections—wages are set to increase by ahout the pay of its own millions of employees—and does this just before this May's important local elections—wages are set to increase by ahout the pay of its own millions of employees—and does this just before this May's important local elections—wages are set to increase by ahout the pay of its own millions of employees—and does this just before this May's important local elections—wages are set to increase by ahout the pay of its own millions of employees—and does important local elections—wages are set to increase by ahout the pay of its own millions of employees. to nave recorded a dencit of more than L5,000bn in 1984— considerably more than had been expected. The trade deficit was an all-time record in nominal terms—L19,206hn, but the referendum on last the contract of the contrac

Part of the deterioration was due to the recovery itselfhigher imports of energy, raw materials and semi-finished goods, and greater domestic demand, which naturally distracts companies from exporting. Exports, in fact, rose more slowly than the rate of growth of world trade. cious wage inderation system, the Scala Mobile. If the deficit and imported inflation are the

Though exports to the U.S. grew by nearly 70 per cent, as Italian companies capitalised on tha strong dollar, sales to EEC countries fell as a proportion of total exports and sales to the Opec countries and East Europe stagnated partly because of the difficulty of arranging sufficiently attractive finance,

In fact, the lira has once gain become a problem for taly—but this time because of its strength. Last year it appredicted by 1.5 per cent against all currencies, even taking into account the inevitable fall against the dollar. Its strength all tide of deficits has turned.

Already it looks as if the in the EMS has weakened Italian competitiveness in European markets, such as West Ger-many, but little can be done about it as the dollar continues rise: a devaluation in the EMS, as was urged in some quarters recently, would simply cause further devaluation cause further devaluation against the dollar which is rising anyway. And even if the balance of payments last year was not particularly good, there was a net capital inflow which hoosted foreign currency rewas a net capital nursery re-serves by about L4,000bn—all of which should help to service the external debt which doubled to over \$50bn during the second

Few benefits in the South

at the end of 1983 to 8.0 per cent by the end of 1984. Companies both large and small, had been forced in the previous few years to become more efficient by tha high cost of money and by the closing of the escapa route of Tha current boom has done almost nothing to reduce un-employment, which remains at easy devaluation when the lira joined the European Monetary System: now they were able to take advantage of a stronger domestic market and some good

But not all the indicators screws up its courage and bolds rere satisfactory—the halance of payments current account, lions of employees — and does thich was wreached into a this just before this May's important local elections—wages and the courage and

but the referendum on last year's cuts in the Scala Mobile (discussed in an adjoining article) could add another 12

alone would prevent the referen-dum being held and further reduce the Scala Mobile.

Rising tax revenues

Even if a thorough reform of labour costs is achieved, the economy will he hobbled as long as the public sector borrowing requirement remains so vast. Despite the fact that Dr Carlo Azeglio Ciampi, Governor of the Bank of Italy, last year made the most sustained effort so far of his many attempts to hring

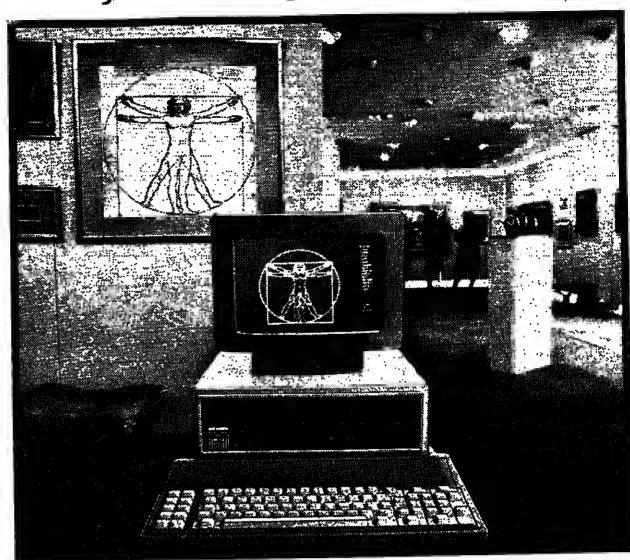
tide of deficits has turned.
Already it looks as if the at least L99,900bn, instead of the 196,000bn in the original fore-cast, and the figure could easily go up by a further L10,000bn. Even if that does not actually Even if that does not actually mean a rise in the deficit as a proportion of GDP, the percentage is hardly likely to fall below the 15 per cent of 1984. Revenue is increasing, thanks in part to the Visentini tax package, but virtually nothing is being done to curb spending, or the waste to curb spending, or the waste that it involves. The continuing deficit means

that interest rates are unlikely to fall substantially and the accumulated debt will go on marching upwards. Last year it grew by about 20 per cent, passing by several percentage points Italy's entire GDP. The higher the accumulated debt hecomes, the more the Government must spend just to service

The Central Bank bas no intention whatever of slacken-ing its monetary policy (though it has made some small improveit has made some small improve-ments in tha way the deficit is financed) and the moment could be approaching when tha deficit becomes unsustainable: when the rates of interest on Government paper fail to con-vince savers that the Govern-ment will be able to honour

politicians cross their fingers and trust that will never

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sate for more than a certain level of inflation in the first half of 1984. The Communists protested in the streets and tried desperately to block the measure in Parliament, but, in the end the passed and a crucial the end it passed and a crucial the end, it passed and a crucial four index points were lost—for good, as it seemed. With the help, too, of a fortunate drop in the price of many imported raw materials (despite the rise in the dollar), inflation fell from 12.6 per cent at the end of 1983 to 8.6 per cent by the end of 1984. Companies

ten per cent (more, if you count the hundreds of thousands of workers who are on permanent lay-off at Government expense).

Nor has it done much to help the South where there is too little industry to benefit.

Yet the economy now feels

Even the Treasury, directed yet the economy now feels stronger — though it never lost its sense of dynamism, even in the recession — and the Milan Stock Exchange is enjoying a boom unprecedented since the speculative bubble of 1961. The by the Christian Democrat Sig Giovanni Goria, succeeded last year in keeping its deficit to virtually the same level as it reached in 1983 — about L93,000bn.

The deficit, therefore, fell speculative bubble of 1981. The slightly as a percentage of GDP to about 15 per cent—but still about 2½ per cent for this year,

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Uncertainty over referendum

export markets.

THE GREATEST single uncertainty for the Italian economy is the possible referendum on last year's reduction in the Scala Mobile wage the certain mechanism. If inderation mechanism. It could produce either serious conflict in labour relations, or a therough-going reform of the pay structure, or possibly

The Communist Party never accepted the Crari Govern-ment's action last spring in temporarily limiting the pro-tection against infiation pro-vided by the Scala Mobile. It argued that such issues were roluntary agreement een unions and overs. After the law employers. After the law was ratified by Parliament, Sig Alessandro Natta, the

party's new leader, launched a campaign for signatures for a referendum on the issue. Some 1.5m signatures were Some 1.5m signatures were collected, three times the collected, three times the tegally required minimum. The referendum on the law, which had the effect of cutting four points (worth ting four points to workers 1.27,200 a month) off workers induced legitimate by pay, was judged legitimate by the constitutional court in The court said that the

referendum must be held between mid-April and mid-June. If the majority voted for the cancellation of the for the cancellation of the law, wage earners would not recover the pay rises they had lost since February, 1984. But the index would be updated to take account of the form that and said the four tost points and therefore monthly wages would rise from after the date The Government now has

two options:

L it can allow the referendum to go ahead. The general assumption is that most Italians would vote for higher wages. This is not certain, however, since only a minority of the electorate directly enjoys the Scala Mobile.

2. It can persuade unions and employers to reach an agreement on pay and indexa-tion which would change the rules so drastically that the Government could persuade the constitutional court that referendum would be

The three union federa-The turee amon federa-tions all of which in differing degrees deplore the referendum idea, have made

ARGUMENTS OVER SCALA MOBILE WAGE INDEXATION issue

proposals for avoiding it, as have the main political

The union proposals all agree that the Scala Mobile must be reformed to operate on a six monthly, instead of on a quarterly basis, which is a significant advance. But they differ on the degree of over against inflation that the new system would give, with the Communist-majority CGIL Union wishing to go back to something akin to the situation before the 1983 reduction of wage indexation. The CISL union wants a two-hour reduction in weekly working hours.

Warnings

Confindustria, the Employers Association, would like to see negotiated settlement to avoid the referendum provided it implemented tts own demands for: greatly reduced indexation, wider differentials between workers to reward skill, and greater labour mobility.

It warns that if the referendum goes ahead and the electorate votes for abrogation, it will cease from

next year to honour agreement under which employers pay wage increases under the Scala Mobile something it is fully entitled

A voluntary agreement between the parties to avoid a referendum would mean from the Government's point of view, allowing the Communist Party to play a determining role in pay negotiations and in the running of the economy—something the Government dislikes, particularly in the run-up to the regional and municipal elections in

The unions would like to reach a voluntary agreement to avoid the referendum, but are deeply divided between

If the referendum goes ahead and produces a majority for abrogation, the Confindustria's response is bound to cause strife on the shopfloor. There are, however, those in Confindustria who believe that a tough response by the employers would put it in a strong bargaining position with the

. ided unions. JAMES BUXTON

3



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Private industry

ADRIAN DICKS

reports its 1984 figures.
The company has told invest-

had begun to reap the benefits of a long process of reconstruc-

At the operating level, the group achieved a profit of L853bn in 1983, up from L620bn in 1982, while it achieved an operating profit of L600bn during the first six months of 1984 and has forecast that last year

as a whole might see a return

off. The company has been seeking to concentrate on higher

state-controlled energy group, while pushing into the U.S. mar-ket through joint ventures with

Hercules, the American chemicals group. Olivetti, Europe's biggest and

formed itself in little over five

from predominantly

BETWEEN NOW and the end of 1987, Flat, Italy's giant mechanical rather than electronic office equipment maker. It has made likely noticed through a series of acquisitions (£3.5-4bn) programme of investment in new models and in research and development. company, expects to have completed a L8,000-9,000bn (£3,5-4bn) programme of investment in new models and in research and development.

Of this huge sum, shareholders last autumn put up soma 8-9 per cent, or around L675bn, in the company's rights issue on the Milan stock exchange—the largest equity issue ever carried out in Italy.

Borrowed funds, whether loans from Italian banks or bond issues, are currently ex-pected by Fist executives to contribute nothing at all; the company says it will be able to meet over 90 per cent of the cost of its future plans from its own cash reserves and earn-

Five or six years ago, such confidence on the part of any kallan company would have seemed wildly implausible. Years of high wage inflation, industrial unrest, croded foreign markets, mounting losses and anowballing debts appeared to threaten the very existence of a competitive industrial sector. The turning-point for Fiat is widely seen to have been a turning point for the nation itself, for which the Turin motor roup is the outstanding symbol of private enterprise.

It came in the autumn of 1980, when Flat management threw down a challenge to the trade unions over the issues of productivity, labour flexibility and industrial rationalisation involving mass job cuts.

Productivity

At the end of a tense, five-week strike some 40,000 Flat employees marched through the streets of Turin demanding the right to return to work. Sinca events have moved in management's steadily

Productivity between the end of 1979 and the end of 1984 has risen from 14 cars a year per worker to 26. Absenteelsm has fallen from 20 per cent to a "physiological" 45 per cent over the same period, while during the three years 1981-84, the workforce fell from around 300,000 to 230,000 people.

The company's financial turn-round has been equally remark-able. From a group loss of L240bn in 1980, profits have risen steadily to L253bn in 1983, a figure that is expected roughly to double when the company

in and buside stay ever the past coople of years, the most recent of which was its £10m purchase of 49 per cent of Acorn, the financially troubled British microcomputer maker,

Acorn, the financially troubled British microcomputer maker, in mid-February.

Behind the Italian company's numerous deals, many involving its taking minority positions in chip makers, software houses and smaller computer producers, lies 2 clear strategy intended to bring Olivetti closer to world-wide competition across a wide range of products with International Business Machines (IBM). ment analysts that by 1987 it expects net profits to reach Machines (IBM).
The keystone of this strategy

was apparently intended to be the company's agreement with American Telephone & Telegraph just before Christmas, 1983, where AT & T, then freshly separated from its U.S. telephone operating companies, would provide communications. L1,200bn, equivalent to a 15 per cent return on equity. Net debt has been reduced from L7,000bn to under L4.500bn in 1984, down from 34 per cent to 18 per cent of sales. The ratio of debt to equity declined from 1:1 in 1983 to 0.8:1 last year, and is due to drop by 1987 to 0.8:1. would provide communications would provide communications technology to complement Olivetti's data processing expertise. AT & T bought 25 percent of Olivetti for \$260m, further strengthening the Italian group's increasingly solid cash position.

In late-February this year, however, Olivetti openly expresed impatience with the results to date of this ambitious Striking as the Fiat example is, it is far from unique. Monte-dison, the country's leading chemicals group, produced results last year showing it had sharply reduced its losses and had begin to reary the benefit.

presed impatience with the results to date of this ambitious alllance, reproaching its big American partner with lack of commercial drive in competing with IBM, and declaring that it would carry out a further would carry out a further sweeping reorganisation of its U.S. interests as a whole.

Expansion

to break-even — only two years after losses reached a record L750hn in 1982. The renewed self-confidence Large sectors of Montedison's and more aggressive expan-business have been reorganised. sinnism of big Italian companies with product lines simplified and appears to be mirrored by appears to be mirrored by smaller ones — although in a loss-making subsidiaries sold country where detailed financial information is sparse, there are added value and fine chemicals, and in pursuit of this it has disposed of much of its petrochemicals capacity to ENI, the few statistics to demonstrate the

Low inflation and a relatively strong export market over the past few years have caused profitability to soar; by all the available evidence, businesses large and small are cash-rich and, at a time of high interest rates, well able to generate the funds most ambitious data processing they need for investment out of and electronics group, has trans-their own resources. Italian bankers point to a

Fiat has had a remarkable financial turnaround with profits rising stee Above: tractor assembly at the company's plant in Modena corporate financial structure as the pendulum seems to have swang back both so far and so fast towards private enterprise.

Sig Enrico Braggiotti, joint managing director of Banca Commerciale Italiana, says that much of the industrial investment of recent years has been relatively modest in financial terms and directed primarily towards the automation of production processes and control systems: "As a result of computers and tough times, there has been a reduction in the need for working capital from the banks that is probably perma-

nent." Two examples illustrate the point. Benetton, the fashion clothing manufacturer with a world-wide network of owned and franchised retail outlets, is one company that has used com-puterised ordering and information systems almost to eliminate inventories by gearing production closely to current demands. Similarly, Fiat has largely put in place a sophisticated system linking dealers, suppliers and sub-contractors to its factories Italian bankers point to a which will largely eliminate qualitative improvement in the stocks of cars by enabling a

to a order a vehicle incorporating the precise range of features ha or she wants.

ductions, many businessimen appear resigned to paying wage increases this year.

Much will also depend on the

- Improvement

Italian businessmen hope that Italian businessmen hope that such steps as these will help consolidate the financial improvements they have achieved and thus to withstand better the next downturn of the business cycle. Yet the outlook is not entirely cloudless. The business community, though it has little expressive for government. little sympathy for government, is only too well aware of the difficulties facing Sig Bettino Craxi's Government as it seeks to grapple with the huge budget deficit and with the future trend of wages.

Inflation is low by Italy's own standards over the past decade and is still falling, yet at about 8½ per cent year on year at the end of 1984, it is still above the average of the rest of the Banco di Roma economists, rose by only 5.3 per cent in 1984 compared to 16.7 per cent in 1983, but far from believing labour there is scope for further re- strong.

partite negotiations taking of in Rome over the Commit initiative on the extension tion mechanism.

Tx 1

Large reductions in have been achieved by major companies in several cases, with at least the acquiescence of the unions, yet business continues to complain that the balance of advantage of Italian employ-ment legislation remains titled heavily against employers.

The widely used practice of

contracting out much of a com-pany's manufacturing and assembly work represents an effort to circumvent the legisla-tion with the consequence of pushing much of the workforce into the submerged, or black, economy.

Although smaller businesses European Community. Average are more accessible to the tax-unit labour costs, according to man than they used to be, the temptation to keep a company small enough to duck out of heavy social payments and labour law restrictions remains

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The uncrowned King of Italy

PROFILE; THE LEADING INDUSTRIALIST, GIANNI AGNELLI

it always did, the craggy face and expanded in other fields is even more distinguished, such as earthmoving equipment. Gianni Agnelli cootinues to It spread itself more widely emanate a relaxed sense fo abroad.

immense power. outsiness sance the mid-1960s. But only in the past year or two has he regained the lustre be enjoyed a decade ago, when his every move, whether in business or social affairs, not to mention his every sartorial whim, was

and abroad. For only in the past two years or so has it been obvious to of 1980 the managing directoreveryone that the Fiat group has recovered from the serious trouble it was in at the end of 1980 the managing directorship passed from Umberto Agnelli, Gianni's younger trouble it was in at the end of 1980 the managing directorship passed from Umberto Agnelli, Gianni's younger trouble it was in at the end of 1980 the managing directorship passed from Umberto Agnelli, Gianni's younger trouble it was in at the end of 1980 the managing directorship passed from the historic strike of 1980 the managing directorship passed from Umberto Agnelli, Gianni's younger the historic strike of 1980 the managing directorship passed from Umberto Agnelli, Gianni's younger the historic strike of 1980 the managing directorship passed from the serious has recovered from the has recovered from the serious trouble it was in at the end of the 1970s. Now, with its French rival Renault in difficulties, the strength of the Italian company based at Turin, in Piedmont, is even more striking.

admiringly chronicled in Italy

Agnelli family

It shows in the self-confidence which is now palpable in any Flat executive and in the fact that both the company and the Agnelli family (which owns a third of the group) have once again been expanding their interests in Italy.

Gianni Agnelli, who is now is, was brought up to expect 68, was brought up to expect both wealth and power. From the age of 14, when his father was killed in an air crash, he was raised under the tutelage of his grandfather, Giovanni Agnelli, the founder of the business. By then, Fiat was already a major company.

After the Second World War, Fiat adapted happily to the economic boom and to foreign competition—which it had been largely spared under Mussolini —and retained its commanding position in the Italian vehicles ndustry. Its expansion was guided by

an outsider to the family. Vittorio Valletta, while Glanni, having qualified as a lawyer, lived as a playboy on an income said in 1950 to be U.S.\$Im a

But a near fatal car crash in 1952 jerked him into taking life more seriously and be got mar-ried and began an active role in the company, becoming its managing director in 1963 and succeeding Valletta as chairmao

It was a time of continuing fast growth but also of rising labour unrest. When the oil sbock of 1974 came, Fiat made what soon turned out to be strategic errors: It convinced it-

THE SMILE is as beguiling as self that the future lay with both inside and outside Flat as befits Patrician accent mesmerises as work on developing new cars

By 1978 is was obvious that The chairman of Fiat, easily this policy was not working and the country's biggest private enterprise, has been the most important figure in Italian business since the mid-1960s. But the crucial steps in the recovery process—the sacking manned concern needed a radi-cal shake-up and retrenchment. But the crucial steps in the recovery process—the sacking in 1979 of workers who were also terrorists, and the defeat of the unions in a strike over massive lay-off plans in 1980— were carried out under a harder brand of managers to whom Glanni Agnelli gave increasing power.

These tough new men, who also include Vittorio Ghidella, the managing director of Figt Auto, are, in the cricketing metaphor, players rather than gentlemen. It is they who have had to display the iron fist of First to the unions, to its disorganised soppliers and to other Italian industrialists whom it wanted to good into greater wanted to good into greater assertiveness.

The chairman, on the other hand, was able to use his immense charm to soothe the anxieties of politicians and convince everyone that what was bappening at Fiat was in the country's best interests.

For while Gianni Agnelli can For while Gianni Agnelli can be as unsentimental as any businessman in striking a deal, there is in bim a strong streak of the conciliator. No doubt be also feels the responsibility of a man to whom Italians look to an almost exaggerated degree for guidance on what to think about their governments, and is aware that the power of Fiat—in a country that has no monopolies legislation—needs to be wielded discreetly.

Profits

Thus, when the directors of Confindustria, the employers' association, voted last year on whether or not to accept the relatively modest reduction of wage indexation, Sig Romiti, the bawk, voted to reject it as inadequate, while Agnelli voted in favour and probably swayed the majority.

Now that the years of re-trenchment and withdrawals by Fiat are over and the com-pany is making increased but still small profits, Gianni Agnelli can again consolidate his empire. The Agnelli's ten-tacles stretch ioto many of the mojor Italian busines A common thread to many o£

the Agnellis'

business in Piedmont-such as and London. Cinzano, the wine company,
Toro, the Turin insurance
company, and Unicem, the
cement maker.
Part of the explanation for

the rivsiry between Agnelli and Carlo de Benedetti, the fast-footed chairman of Oli-vetti and of much else beside, is that his the only Pledmon-

rare thing in Italy, businessmen with vast experience of "much to
the wider world. Gianni him say.
Aguelli is always highly informed on international affairs,

Even though he had a heart

by-pass operation three years ago, and a bad skiing accident the year before that he still-pushes himself hard, getting up between five or six each morning, and reading through a dozen newspapers by break-

is that his the only Piedmonis that his the only PiedmonAlthough he goes to the
much sails a great deal. He
never misses a match by his
own football team, Juventus,
and as always he drives cars— "much too fast," those around

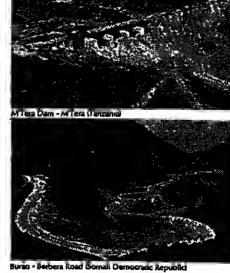
JAMES BUXTON



Gianni Agnelli, chairmi Fiat, Italy's biggest enterprise

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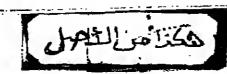


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Profound changes now under way

The ownership

of industry

ALAN FRIEDMAN

major financier in his own right.

and large tanning and tobacco machinery manufacturing busi-

bears his name; and Sig Enrico Cuccia, the 77-year-old financial

wizard who runs Mediobanca, the controversial Milan-based

merchant bank which is as

powerful as it is secretive. In seeking to understand the

Byzantine structure of Italian

industry, there are few institu-

tions as key as Mediobanca,

which is 57 per cent owned by

IRI's three state banks. Medio-

banca is at present at the centre

of a major political row which

concerns an attempt to bring in

the Lazard Freres investment

privatisation," has a far

More than anyone else, Sig de

THE STRUCTURE of industrial power in Italy, the cate of control (composed of world's seventh largest industrial economy, is today undergoing a profound change

worms seventh targest moustrial economy, is undergoing a profound change.

While certain things remain the same—the huge L40,000bn (\$20bn) turnover of the state-owned IRI Holding Group, for example, or the undisputed pre-eminence of the Turin-based Agnelli family and its Fiat empire in the virtuals sector—the past year has Fiat empire in the private sector—the past year has seen so many important industrial and financial holdings changing hands that it is now fair to say that the country's business boundaries are being redrawn.

The collapse in 1982 (with \$1.30n of missing funds) of the late Sig Roberto Calvi's Banco Ambrosiano empire, has contri-buted to the change. Equally, the death last September of Sig Carlo Pesenti, the Catholic financier whose ties, to Sig Calvi and the Vatican made his own industrial empire an Italian legend, has fostered

Sig Pesenti's empire of steel, engineering, media, property, cement and financial companies is viewed in Italy as potentially np for grabs: its most important financial bolding—control of Riunione Adriatica di Sicurta (RAS), Italy's second largest insurer, is being sold to Allianz Versicherung of West Germany. Sig Pesenti died just hours before he was due to stand trial on charges of criminal involvement in the failura of Banco Ambrosiano, of which he was the largest single shareholder.

The Vatican

But there is more to the present changes in the ownership of industry than the picking off of collapsed empires. For one thing, the position of the Vatican, which in the heady days of Calvi, Sindona and Pesenti played a major role in share dealings with these priminally implicated partners. criminally implicated partners,

The Pope's former bodyguard and now chairman of the Vatican Bank, Archbishop Paul Marcinkus, is under criminal investigation for alleged fraud in connection with the collapse of Banco Ambrosiano and also separately for his role in a

1972 Vatican loan to Pesenti. Last summer's embarrassing bank as a 20 per cent share-holder. The row, which in Italy is mistakenly cast in terms of \$250m payment by the Vatican to Ambrosiano creditorsout formally admitting guilt in the Ambrosiano affair—also took a chunk out of the Holy

Then there is the phenomenon of Sig Carlo de Benedetti, the Olivetti chairman who is a

His rise has been impressiva and is beginning to alter tha and is beginning to alter tha traditional equilibrium.
Sig de Benedetti, through family vehicles, owns 15 per cent of Olivetti, 4 per cent of Pirelli, 11 per cent of the Espresso publishing group, 30 per cent of tha Euromobiliare investment bank, 62.3 per cent of the Buttoni pasts and choco-Thus, the Lazard-Mediobanca controversy is more than a share matter: it represents a funda-mental struggle for industrial and financial power between tha Agnelli family and its allies, on the one hand, and those politi-cians and reformers who fear of the Buitoui pasta and choco-lates company, 10 per cent of the important GIM metallurgy too much concentration of power in the hands of Piedmontese and group, one per cent of the Credito Romagnolo bank

Rore than anyone ease, sig the Benedetti is challenging the cinbby little world of Italy's most established entrepreneurs—Gianni Agnelli, the Fiat chairman; Sig Leopoldo Pirelli of the tyre and cables group which have his paragraph and Sig Torico. such as Pirelli, Montedison, Rizzoli-Corriere Della Sera and

which, in turn, has interests in related interests.

Gemina, which is also controlled by the Agnellis, Pirellis, Bonomis and other prominent families, took over the Corriere Della Sera last autumn and also has 17.11 per cent of Montedison.

the north is that once the 77-year-old Sig Cuccia leaves Medio-banca, a political appointee

Lazards, with 1.3 per cent, and Berliner Handels Gesselschaft, with 2.3 per cent) has been ruo-ning the bank for 30 years. The tiny group of shareholders has had the same same as the three IRI banks who, in theory, should have majority control with 57 per cent. The Agnelli family, which has less than I per cent of Mediobanca, is also viewed by critics as having too much influence at the bank. Some Italian politicians feel that Sig Cuccia — who has been involved in almost every major post-war corporate take-over in Italy — has really been serving the interest of a northern Italian cartel of entrepreneurs.

Power struggle

on the other.

The importance of the struggle comes into focus when one considers the interlocking structure of industrial power (see illustration). It is no accident that the interweaving of share boldings keeps companies Generali (Italy's leading in-surer) "in the family."

Mediobanca owns stakes in Generali (5.10 per cent), Moo-tedison (17.86 per cent), Pirelli (11.10 per cent), SNIA (14.97 per cent) and also importanty, Gemina bolding group, many companies, including Fiat-

The principal fear of the powerful industrial families of greater. significance than banca, a political appointee power will remain in the hands empires, the rise of Sig de could be implanted by Rome, of a select few. Sig Eugenio Scaltus ending the 30-year game fari, the respected editor of the misleading because, as was recently revealed, a secret syndiman of Mediobanca, Sig Fansto recently of the Lazard project:

| Depoint collapse of old power will remain in the hands empires, the rise of Sig de Benedetti and the struggle at thus ending the 30-year game fari, the respected editor of the Mediobanca, the other key change in Italy's industrial recently revealed, a secret syndiman of Mediobanca, Sig Fansto recently of the Lazard project:

The Network of Private Sector **Industrial Power** ELECTROLUX 49% ZANUSSI Metalurgy RINASCENTE 10% 48.7% 30%_EUROMOBILIARE 15% FIAT DE BENEDETTI OLIVETTI AGNELLI BUITONI FAMILY GENERALI 3.13% ACORN TORO 26.9% 11.1% **MEDIOBANCA** PIRELLI BASTOGI Property/Industrial STATE BI-INVEST 15% 17.8% **GEMINA** BANKS (BONOMI) 25.4% MONTEDISON **ITALMOBILIARE** chemicals (PESENTI) FONDLARIA 75% RIZZOLI-CORRIERE 23.14% META IL TEMPO FRANCO TOSE ITALCEMENT TELETTRA Figt Group

● The major private sector industrial and financial companies in Italy are controlled by a very small number of entrepreneurs and families, as this simplified chart indicates.

The Agnelli family, which controls Fiat, is by far the most important centre of industrial power. It also has close connections with Mediobanca, which is a clearing house for virtually every transaction between the major private concerns, even

though state-controlled banks hold the majority of its shares. Carlo de Benedetti, chairman of CIR and of Olivetti, is growing in power and, when he recently bought control of Buitoni, the food maker, set a precedent for a major company deal by not involving Mediobanca in it.

All shareholding figures are taken from the most recently published accounts. In some cases changes may have occurred which are not yet published.

Calabria, is of little use to the "if the operation is completed industrialists—he is under it would create one of the most arrest, accused of involvement formidable concentrations of in the alleged embezzlement of power—industrial, insurance, L240bn of state funds when he

was a director at IRL The principal fear of the politicians and reformers is that nu-less the Government stops the Lazard deal from going ahead, power will remain in the hands of a select few. Sig Eugenio Scalfari, the respected editor of the La Repubblica newspaper, wrote recently of the Lazard process.

banking and the Press-in Europe, and certainly the most Some would say this is already

the case. Beyood the collapse of old In the past year or so, Sweden's Electrolux has taken over tha Zanussi home appliance group, Britain's Beecham. has taken over the Zamberletti

pharmaceuticals business.
Allianz bas taken control of
RAS, American Telephone &
Telegraph (AT & T) has taken
25 per cent of Olivetti, Chrysler has taken a share in Maserati, and many other foreign com-panies have been buying into

Foreign acquisitions of Italian companies generally create a lengthy and messy domestic debate, with every politician and trade unionist offering an opinion. But as Sig de Bene-detti, who is generally reckoned to be the Italian entrepreneur with the least provincial atti-tude, put it recently: "I welcome foreign investment. To criticise

changa in Italy is not over. Both the Agnellis and Sig de Benedetti can be expected to add more companies to their empires, as befits two powerful empire-builders based only 25 miles apart from one another in Piedmont. And in the state sector, meanwhile, the drive is to partly privatise several com-panies on the Milan bourse. But the real industrial and financial power is not reflected it, is stupidity."

Even with all of the above in the bourse—it is taking place, the structural hands of a select few.

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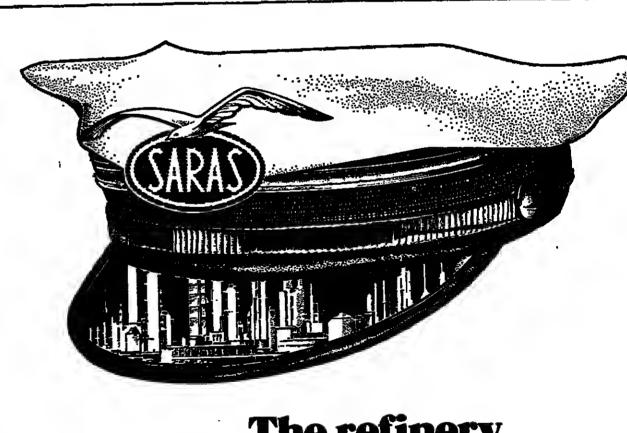
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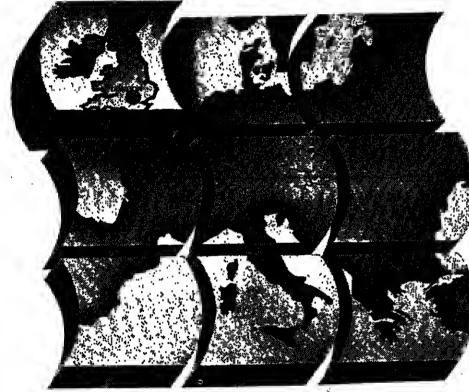


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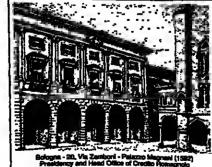


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Subsidiary in U.K. - Itals Group Ltd - merchant bank in London and Representative Offices in Hong Kong and New York, Credito Romagnolo is continuously improving its organization by means of direct connections with national and international Corporations and Institutions, which are mostly advanced in the telecommunication of

funds transfers as well as of economic and financial information

Crucial question on recovery

State industries JAMES BUXTON

ARE ITALYS state holding companies really turning round fiter years of decay?
The question is crucial to ther Italy is shaking off the whether half is standing on the bad habits of economic and political mismanagement which reached their nadar around the turn of the decade, Unfortu-nately, it is too early to give a

distance of breaking even.

IRI, which operates in a bewildering range of industrial sectors, also reduced its losses

from the record reached in 1983
—but by a distinctly unspectacular amount. The losses of
the two companies alone—not ine two companies alone—not including those of their smaller sister EFIM, which also has industrial interests, still came close to L3,000bn (£1.3bn).

In the past, ENI and IRI used to he held up by foreigners as examples of how the state should intervene in key sectors of industry. But gradually they came to represent all that was worst about the Italian system in general. Their priorities became political rather than industrial

—the need to preserve votes.

They piled up immense losses because they had to make uneconomic investments, to all too often lacked strong incentives to make profits. Many, as repeated scandals have showed, were deeply corrupt.

Squabbles

By 1982 the situation had become intolerable. ENI was changing its chairman every few months as politicians squabbled over who should enjoy such spoids as there were to be had. IRL despite some restructuring under the activist minister of state shareholdings Sig Gianni de Michelis, was sinking deeper into loss. The three companies between them lost almost L5,000hn.

Things were bad enough, in fact, for the political forces to agree to try to stop the rot. Within a few months of each other two outstandingly honest men were appointed to the agree to try to stop the rot.
Within a few months of each other two outstandingly honest men were appointed to the also imposed centralised financhairmanships of IRI and ENI:

to IRI went Prof Romano Park sidlaries — for the first time. to IRI went Prof Romano Prodi, an economist who believes that the salvation of IRI is crucial to the future of Italy; and to ENI went Prof Franco Revigilo, also an economist, who had been a stern and successful Minister and relying more on purchases

Idrocarburi), on the other hand, was established in the early post-war period with the clear objective of being a national hydrocarbons company. Though it swelled to include energy-related engineering activities and chemicals, it always had a more centralised structure and a greater sense of Identity than its sprawling sister IRI.

Those qualities, however, came near to being eroded in the dozen or so years up to 1982. ENI had to take on unwanted activities in fields barely connected with energy, such as textiles and mining, energy company, sharply such as textiles and mining, such as textiles and successive waves, the wreckage left over from the errors com-mitted by the Italian chemical industry in the 1970s.

Oil business

But since its core business, oil, is one which, if not inevitahly lucrative, at least involves the transfer of very large sums of money, ENI came increas-ingly to be plundered by the politicians. In 1979 it became involved in a major scandal involving Saudi Arabia (and it lent large sums of money to the fraudulently-run Banco Ambro-

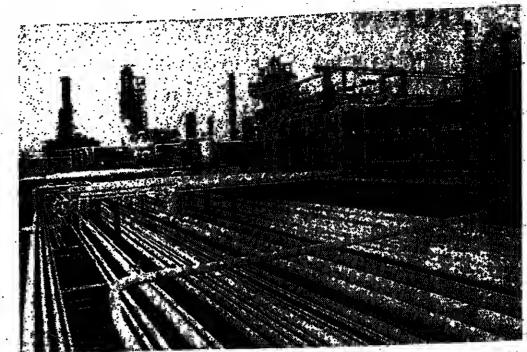
siano).
In fact ENI, by foolish pur-chasing decisions, managed to lose large sums of money on its oil business in the early part of this decade, and it still loses on its downstream

It does, however, have the valuable cushion of revenue from Italy's substantial domes-tic reserves of natural gas produced at low cost from mostly amortised plant from reserves which cost nothing to acquire and sold at a high price related to the world price of

This gave Sig Reviglio quite a lot to huild on when he took over the chairmanship of the company in March 1983. The only two executives he was allowed to import were Sig Mario Gahhrielli and Sig Siro Bassani who had between them successfully sorted out the finances of Olivetti when Sig Carlo de Benedetti moved in there in 1978. They have heen able to make almost immediate improvements in the company's

sidiaries. — for the first time.

Agip, ENT's oil subsidiary,
has improved the profitability of
its oil supply operations by
terminating the costly long-term in the spot market. But it does IRI (Instituto per la Rico- not make money on selling pro-



An oil refinery of ENI, the state energy company which saw a big reduction in losses last year and came close to breaking even

which it is inhibited from company said was uneconomic. rationalising to the extent He has scaled down the necessary hy social and political uranium stockpile. But he pressures (though it has closed

pressures (though it has closed a refinery at La Spezia and is scaling down others gradually). Indeed, Sig Reviglio admits that it would be a lot cheaper to import refined products from the oil producing countries. But this he pointed out in an interthis, he pointed out in an inter-view with an Italian newspaper, would leave Agip shouldering high fixed costs without making full use of it.

ENI's large chemical opera-tion — swollen by acquisitions. mostly involuntary — is thought to have reduced its losses from Le70hn in 1983 to about L160hn last year — thanks, according to Sig Reviglio, two-thirds to the improved chemicals market, and one-third to

better management.
But since Enichem, as the subsidiary is called, is largely in petrochemicals, it is particularly vulnerable to the vast new petrochemical plants which new petrochemical plants which new petrochemical plants which will come onstream in a hig way in Saudi Arahia this year, and the outlook for Enichem is not glittering.

While ENI's engineering companies — Snamprogetti, Saipem, Nuovo Pignone and Savio — are all healthy, there are other companies in crisis under ENI's control: the textile company Lanerossi (thought to have lost Li30hn last year) and a group of mining companies under Samim, which lost about L250bm in 1984. Here some reforms are being made, but ENI is pro-ceeding cautiously.

Sig Reviglio obliged the Govstruzione Industriale) was ducts in Italy, mainly because a deal with Algeria after the founded in 1933 to look after it is tied to a vast and unecongiver and because it is tied to a vast and unecongiver and because it is tied to a vast and unecongiver and because it is tied to a vast and unecongiver and because it is tied to a vast and unecongiver and because it is tied to a vast and unecongiver and because a deal with Algeria after the government had insisted that omic network of refineries ENI huy gas at a price the

regards the company as the servant of the Government over energy policy—as-example in deciding a policy over coal supplies and the question of owning foreign coalmines—and believes that coalmines—and believes that ENI should invest money to provide jobs for the workers it has to dispense with as plants in southern Italy are irrevocably closed.

Though ENI will strive for more efficiency, it is unlikely under Sig Reviglio to be run on the lines of a private sector company. Nor has he had total success in imposing his will on ENI's more powerful subsidiaries. Nevertheless, the the conversion of the 1983 loss of L1,369bn into a probable deficit of L200bn in 1984 is an achievement. an achievement.

Whereas Sig Reviglio has prowhereas sig nevigilo has pro-ceeded quietly, attracting little attention in the Press, his opposite number at IRI, Sig Prodi, has had no fear of publicity. Indeed, he has found the Press a useful ally against the politicians who after an initial honeymoon have increasingly tried to thwart him.

both the structure of the group, and its rationale, have in recent years heen dictated more hy a succession of external interven-tions than by economic logic. The tentacles of IREA: 1,000 or more subsidiaries and hodlings stretch into every corner of the peninsula and of Malian and this intog many politician's ballfwick.

succeeded in launching and succeeded in Isunching and things up.

pushing ahead a programme for Much depends on how far Sig
the cutting of Italy's steel- Prodi is allowed to continue his making caapcity.
Finsider, the state steel com-

pany is part of IRI and is by far the higgest source of its losses. Yet last year alone more on a more sensible course after with barely a murmur of pro-test, and the reduction of steelmaking capacity by 3.8m tonnes, in line with EEC requirements,

is well advanced.
Finsider's losses came down
to about L1,400bn last year from
about L2,200bn in 1983, but put IRI's accounts in the hlack.
The parent company's losses fell from about L3,200bn in 1983 to an estimated L2,700bn last year. One reason why the losses are still so high is that progress has been slow in sorting out the problems of the perenially loss-making shipbuilding industry, and a start has only recently

the Alfa Romeo, the car maker, he is a serious headache, its options inexorably closing as the pace becomes more difficult for all Europe's car makers, especially its smaller ones. Ansaldo, Italy's main power station equipment maker, is another source of heavy losses.

There is a limit to what one could reasonably have expected. Sig Prodi to achieve since he took office in late 1932. Indeed some of what he has done only appears remarkable to someone who does not know Italy; they include dislodging powerful bosses of IRI subsidiaries who were running semi-independent fiefdoms within the company; putting a han on any further rescue operations of the kind that so distorted the shape of the company in the past; selling off a number of small peripheral activities; reforming the heavily loss-making subholding SME which contains a number of food producing and marketing com-panies and which was unusually ense with deadwood.

Energetic

The chairman strings energy seems unlimited. Is also trying to carve out a new and more positive role for IRL making use There is little doubt that his of its strong position in the task has been immeasurably more difficult than that of Sig electronic equipment industry Revigilo. IRI has never had a to develoch Italy's value-added strong central management and networks (VANs), though an both the structure of the group, agreement with a private sector. partner has yet to be finalised. Yet progress on reducing IRI's debt, not far short of its turnover of L42,000bn, has not been spectacular, and there have been limits to the imposition of centralised control by the that most of them depend on politician's bailiwick. it for money to keep going. The it for money to keep going. The opposition he has recently remarkable that Sig Prodi has, with tacit government backing. Sig Prodi's success in shaking

> reforms. His three-year appointment expires this autumn.

in er er

-: 5: A..

1

Delu

Success !

and busing

than 20,000 men left its psyroll the appointment to its chair last year of Sig Stefano Sandri. Here the moderately satisfying performance of some of its subsidiaries in the field of defence equipment, for example has been cancelled out by the to about L1,400bn last year from about L2,200bn in 1983, but smelting, which EFIM has must descend much further to bitherto done very little to put IRI's accounts in the hlack.

It has, however, made a start on reducing its dollar indebtedness and hopes to have cut its losses from the L689bn of 1983 to L450bn in 1984. The full benefits of its debt restructuring will not be felt until the 1985 results, by which time the holding company may have begun to reform its aluminium been made on a thorough re- to reform structuring of the large ship- operations.

PROFILE: ELSERINO PIOL OF OLIVETTI

A brilliant strategist

"I AM a university drop-out," says the man who personally negotiated the global accord between American Telephone and Telegraph (AT and T) and Olivetti. Sig Elserino Piol, Olivetti's joint mansging directions are street of streets is a tor in charge of strategy, is a modest man whose relaxed approach belies the fact that he is incredibly hard-working and, in the view of his competitors, a hrilliant strategist.

Sig Piol, who spends almost as much time aboard Concorde and in hotel rooms as he does in his office at Olivetti headquarters in Ivrea, is far more than Sig Carlo de Benedetti's number two."
He is a man driven, forever

seeking out new acquisitions, marketing agreements and joint ventures. The miracle of Olivetti's impressive turnaround since 1979 is generally cited as a de Benedetti achievement.

a de Benedetti achievement. But behind the scenes, Sig Piol has been there every inch of the way, planning, travelling, hargaining and putting his staff through rigorous projects.

The 54-year-old Sig Piol lives and hreathes computers and office technology, or, as he prefers to describe the products which now account for more than 70 per cent of Olivetti's L4.700bn group turnover, "work stations."

Relaxation

Relaxation

He is presently reading The
Little Kingdom, a book about
the story of Apple computers.
While he agrees that this is
hardly relaxation, he admits a
fondness for "airport novels"
during his many foreign trips.

The demand of Sig Piol's
work tends to preclude most
other activities. He wishes he
had more time-for "art and for
music," but says that directing
Olivetti strategy requires 12hour work days. At least twice
a week he is at his desk at
Olivetti from 8.30 am until
10.00 or 11.00 pm.

Olivetti from 8.30 am until
10.00 or 11.00 pm.
When Sig Piol travels to
Paris, New York, London and
Frankfurt, as he does almost
every month, he carries with
him group-wide responsibilities.
Even more importantly, he asks
his staff to keep him informed
of acquisition prospects in key



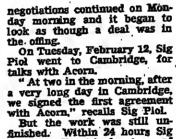
Sig Piol: forever seeking out

markets. The example of how Sig Piol negotiated Olivetti's recent purchase of 49.3 per cent of Britain's Acorn computers is a perfect example of the man

in action.

On Thursday morning, February 7, Ság Piol arrived in London on e stop-over from a trip to New York—"I remember very well that I was in London for a day of consultations, on Olivetti business. I had asked my associates to look at several UK computer companies with a view to possible acquisitions. Then, on Thursday morning, in the car on the way to an appointment in London, I opened my Financial Times and read about the suspension of Acorn shares on the pension of Acorn shares on the Stock Exchange."

The same morning Sig Plol asked his colleagues for detailed information on Acorn. The following day, hack in Ivrea in Pledmont, Slg Piol went directly Piedmont, Sig Piol went directly to Sig de Benedetti and asked him whether Obivetti could approach Acorn's financial advisers to make an offer for a stake. Sig de Benedetti gave Sig Piol the go-ahead. On Saturday contact had heen made with Close Brothers in London. On Sundey, February 10, the Acorn advisers flew to Milan Acorn advisers flew to Milan where Sig Piol hosted talks. The



"At two in the morning, after a very long day in Cambridge, we signed the first agreement with Acorn," recalls Sig Piol.
But the work was still unfinished. Within 24 hours Sig Piol had dispatched a team of Olivetti auditors to Cambridge. By Friday, February 15, the team completed its work and word began to leak out that something was in the air. A few days later the purchase of just under 50 per cent of Acorn few days later the purchase of just under 50 per cent of Acorn hy Olivetti was confirmed. Sig "ol had moved very quickly indeed and concluded a deal which must be regarded as constructive for both parties.

For someone who lives this kind of a hectic life, relaxing inspectial. But Sig Piol says.

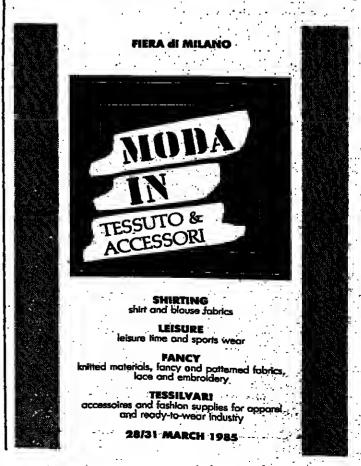
is essential. But Sig Piol says there is little time to do more than spend time with his wafe (they have an apartment in Milan and a pied-a-terre in Ivrea) and with their two children, one of whom is studying computer sciences in the States. "When I laave the office I like to forget about work. But this is not always possible," he

Tha Piols have a home on the Ligurian coast, where they escape for weekends. "I like sailing very much," notes Sig Piol, "provided somebody else is doing the sailing. The hest thing is to have friends with a

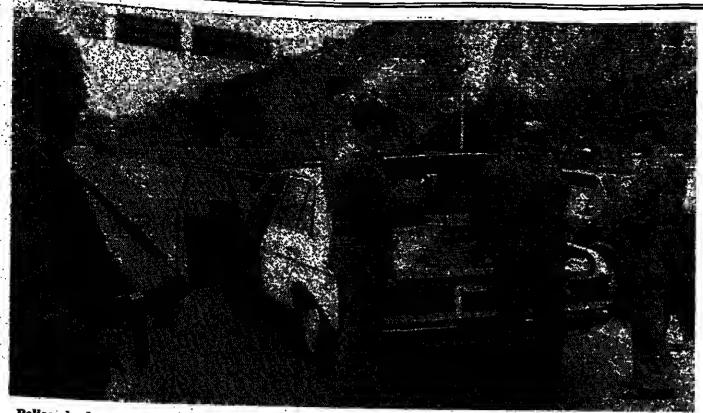
At home in Milan, Sig Piol says that, despite frequent requests from his family, he does not own a personal computer. Is this not strange, given the wonderful products from Olivetti?

"I don't want to huy a cheap "I don't want to huy a cheap computer, especially if it is made by a competitor. And, at nresent tha Oliverti computer I would want is a hit expensive. But I've told my family to wait a year and then we will come no with a new prodoct which a year and then we will come np with a new prodoct which they can have at home. "I prefer to huy Olivetti," ha adds with e smale.

ALAN FRIEDMAN



Italy 9



Police check cars at one of several road blocks in Palermo, Sicily, during police raids on Mafia hangouts in major cities all over Italy. The Mafia enjoys billions of dollars of drug-related revenues each year

Crackdown on

THE ITALIAN Government of Sig Bettino Craxi, working through the Interior Ministry, police officials, investigating magistrates and in collaboration with U.S. law enforcement authorities, has in the past year mounted the most serious offensive against organised crime which Italy has ever seen.

Enormous successes have been recorded in the battle against the Mafia and other organisations, successes the authorities hope will mark the beginning of a sustained period in which the power of the Italian state will be proven to be decisively stronger than that of its underworld adversaries.

New law and

order campaign

ALAN FRIEDMAN

Among those arrested in recent months have been a former mayor of Palermo and, in a village in Sicily, nine town

councillors along with the mayor. Prominent businessmen

such as Sicily's famous "tax-farming" Salvo cousins have been detained by the authori-ties. And even a Sicilian noble

has been accused of Mana in-

Aside from the selfless efforts of investigating magistrates, the authorities have been aided

by three key factors: improved legislation in recent years has

and Washington have dramatic-

uester assets and go after

helped police officials

Whether this is optimistic or realistic remains to be seen. In the view of some leading politicians in Sicily, for example, the power of the Maila is now significantly stronger than the state.

The Sicilian-based organisation, which enjoys billions of dollars of heroin-related revenues each year, has become more ruthless than ever, killing prominent politicians, magistrates, police officials, journalists and businessmen if they stand in its way. But, as is pointed out by Sig Giovanni. Falcone, the Palermo-based magistrate who has singlehandedly done more to compathandedly done more to combat the Mails than anyone else in Italy (see profile), fighting the Mafia is a step-by-step pro-

Pessimists say that it will never be truly feasible to balt the operations of the Mails in Sicily, and its counterparts in and around Naples: (the Camorra) and in Calabria (the Naturalests). Thus the arbitrary 'Ndraugheta'). Thus the achieve-ments over the past year or so must be seen in the light of Sig Falcone's step-by-step process.

Big boost

More importantly however, each victory over the Mafia tends to provide a psychological boost to law enforcement agen-

The most significant such victory last year occurred when sig Falcone persuaded a mañoso who was captured in Brazil and extradited to Italy, to break the time-honoured law of owners the Maño's code of of omerta, the Mafia's code of

Tommaso Buscetta, the Mafia Tommaso Buscetta, the Mafia
soldier in question, provided
Sig Falcone with nearly a
thousand pages of testimony,
including lists of names which
have led to the arrest of 366
suspected mafiosi so far.
Sig Buscotta's revelations,
which have had renovenssions

which have had repercussions on both sides of the Atlantic. their Italian counterparts.

These developments make the dering drug money through U.S. Italians is that the terrorists and Italian banks and run as a were neo-fascist, although there kind of confederation of fami-lies plus thousands of

"soldiers."

It has been estimated that between 60 and 80 per cent of the heroin sold in the U.S. is either shipped and processed or brokered through Italy—and not merely in the South. The Maia's tentacles extend to Milan, Turin and other cities of the Middle East.

massacre and the killing in massacre and the killing in massacre and the V.S. director-general of the U.S. director-general of the Sinai force, most acts of terrorism on Italian soil have been inspired and carried out by groups from the Middle East. the north.

from Mafia, Camorra in Naples has gene-rally been considered the nd major underworld force. Dr Riccardo Boccia, the Prefect of Naples, feels that with the arrest of 27,000 Camorra sus-pects over the last three years, the Camorra is finished.

Others are less confident.
None the less, last month saw
the opening of what is being
called the biggest trial in Italian the hitherto "untouchable" politicians and public officials who are on the Mafia payroll. history—the trial of 639 alleged members and associates of the Camorra. They were arrested in a vast round-up in June 1983 and among them is a mun, the former chairman of a First Divi-sion football club and one of Italy's leading television chat show hosts.

Beyond the question of organised crime in Italy lies the equally frightening issue of terrorism. Gone are the had old days of the late 1970s, when Red Brigades terrorism was epidemic and terrorist victims numbered in the hundreds for a couple of years. Laws allowing bank records of suspected mañosi, the Craxi Government's Christian Democrat Interior Minister, Oscar Luigi Scalfaro, has proved himself to he excate their accomplices have helped the authorities to track down and arrest hundreds of

Terrorism

tremely serious about tackling the Mafia, even if it embarrasses members of his own party. New bilateral treaties between Rome The scourge of terrorist kid-nappings, bombings and assassi-nations, which reached a peak with the 1978 kiduapping and ally improved the possibility of trans-atlantic co-operation. murder of former Prime Mini-ster Sig Aldo Moro, may be over. But in a comment last Italy and the United States have a new extradition treaty which allows suspects or conmonth on the recent wave of victed criminals to be transnew terrorist activities in Western Europe, Prime Mini-ster Craxi said he feared there ferred back and forth between the two countries for questioning or to stand trial (even if was reason to expect a terrorist attack in Italy as part of the they have heen already conthey have heen already convicted in one country). And law enforcement officials, from the FBI down to district attorneys in Brooklyn, are able to deal directly and with a minimum of hureancracy, with present offensive. For 56m Italians, last Christmas was, in Sig Craxi's words, "splattered with blood" when just before Christmas even a Naples-Milan express train was stopped by a terrorist bomh which killed 15 people. As in other terrorist train bombings not only confirmed the authorities theories about the internal structure of the Mafia—they also are helping magistrates to so after the so-called "terzo multi-netional industry, laun-livello" Mafia collaborators,

These developments make the which killed 15 people. As in other terrorist train bombings than life in London, Paris of these—few in Italy expect the same, unfortunately, cannot be said for Palermo, the multi-netional industry, laun-liveline in the perpetrators to he found.

These developments make the which killed 15 people. As in other terrorist train bombings than life in London, Paris of these—few in Italy expect. The same, unfortunately, cannot be said for Palermo, the multi-netional industry, laun-liveline in London, Paris of these few in Italy expect. The same, unfortunately, cannot be said for Palermo, the capital of Sicily.

were neo-fascist, although there is no firm evidence either way.

Aside from isolated incidents, such as the Christmas train massacre and the killing in Rome last year of the U.S. director-general of the Sinai multinational peacekeeping

"For Libyans and other Arabs I am afraid that Rome is a kind of killing ground. We can only hope these acts do not happen too often," said one diplomat in Rome.

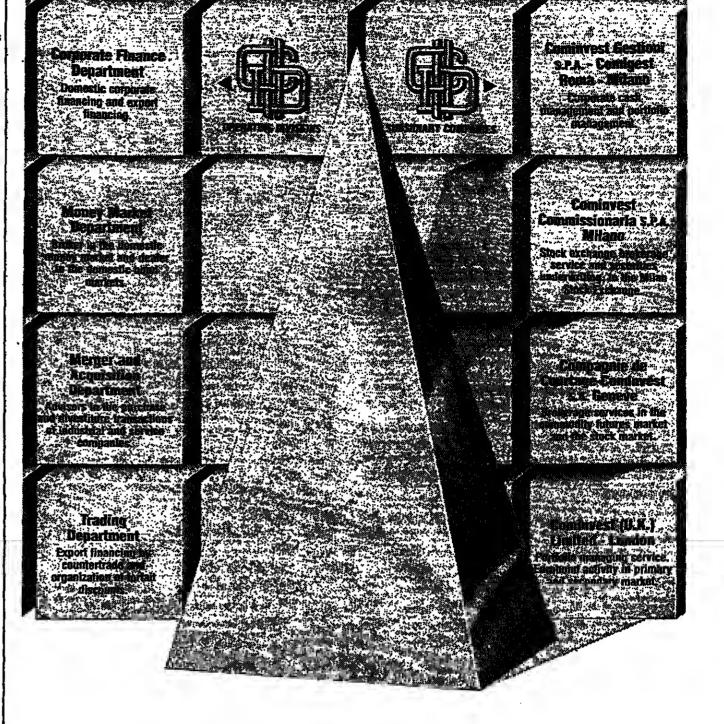
World links

In the wake of the recent wave of anti-Nato terrorist acts in Europe Italian Government ministers have been busy travelling from capital to capital seeking to strengthen international ties among law en forcement authorities. Whether missions, complete with public hand-wringing, is the correct way to deal with terrorism which is at least in part designed to gain publicity may be open to question.

But several concrete steps are being taken in order to increase co-operation between Italy and other members of the European community. Italy and Britain, for example, are to start work on a treaty aimed at making it easier to extradite people wanted for terrorist offences. This news emerged following talks in Rome last month between Mr Leon Brittan Sig Mino Martinazzoli, Italy's Justice Minister.

Likewise, France is under pressure to provide more pressure to provide more assistance to Italian authorities, particularly in light of the large number of Italian suspects who bave taken refuge in Paris. Sig Craxi has said there are at least 117 Italian terrorists in France, and probably a good number more. France stated in 1982 that it would not extradite people whose offences it considered were political, but the Italians are hopeful that this attitude will change.

Lest the presence of the Mafia and terrorism suggest a country engulfed by violence, it should be noted that living and working in cities such as Rome or Milan is no more dangerous





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at the top end of the fashionable New York market. Deluged with orders for the Spring

How a go-ahead Italian shoe business has won a profitable niche

Success for small businesses

ADRIAN DICKS

ARE YOU interested in a pair of olive, knee-high kid boots, decorated with multicoloured curlicues stitched from the skins of half-a-dozen exotic species of lizard?

They'll cost you anywhere up to \$400 at a fashionable New York shoe shop, and they are likely to have been made at the tidy, medium-sized factory of Calzaturificio Ottorino Bossi, almost hidden among tanneries and warehouses in the nonede-script back lanes of Vigevano, a sprawling town 25 miles south west of Milan, which is one of the main centres of the Italian

shoe industry. Right now, the Bossi factory is racing to complete the deluge of orders for the spring season. The company's chosen niche in the shoe industry is at the top end of the market—ever sensitive to the whims of fashion

ordination between clothes has proved most resistant to designers and shoe manufactreession.

turers; the latter have a few hertic weeks after the major haute couture presentations in which to try to produce designs and colours that will match the season's "look." After that, they must sell their ideas to the shoe shops' buyers and then set about manufacturing the shoes and boots.

and boots.

Sig Giuseppe Baletti, geenal manager at Bossi, sighs and says he sometimes wishes for a less frantically seasonal pattern of business. For half the year, the factory and its many subcontractors are busy; for the other half, they can do relatively little. For the high fashion sector of the industry, says Sig Baletti, there can be no manufacturing for stock of the kind of classic shoes that the kind of classic shoes that British producers, for example, have been turning out with little variation for decades.

Exports

Yet Bossi, which exports three-quarters of its output directly to up-market shoe retailers in the U.S., Britain, West Germany, Belgium and the Netherlands, is reconciled to this feast-or-famine work cycle. Such is the price, according to Sig. Baletti, of staying in the sector of the market that

Italian manufacturers of cheaper footwear have in the cheaper 1001wear nave in the past year or two had to reconcile themselves to combating imports from West Germany among other countries, an unexpected turn of fortune that has been amplified in recent months by the relative execution. months by the relative strength of the lira against the D-Mark within the European Monetary

For the Bossi factory, there has been little joy from the far more significant decline of the lira against the dollar. Still bleary after an overnight flight back from a U.S. sales trip, a younger member of the Bossi family complains that, far from dropping to the bottom line of the lira-based Italian manufacturers' profit and loss accounts, the dollar's strength has been seized upon by canny New York shoe huyers as a means to beat prices down, playing the small Italian exporters off one against the other. The American customer, rather than the Vigevano manu-

facturer, will reap the benefit. There is another adverse consequence of the dollar's rise: the quality shoe manufacturers' raw materials, bides and assorted reptile skins, are raw priced in the U.S. currency.

is expected to increase in 1985. Profits are not disclosed, but after an exchange of glances with colleagues around the room, Sig Baletti volunteers that they were "not too disappointing" in 1984, and should be maintained this year. Producing as many as 300 new designs each spring and autumn season, the company would be glad to be able to expand production from the current 500 pairs of men's and women's shoes a day, if it could get the appearant size.

30-40 per cent. Founded in 1956, the Bossi

firm has grown to a turnover of L10bn (£4.5m) last year, which

As is common in Italian industry, much of the work is subcontracted out; the 100 or so production workers in Bossi's quiet, well-equipped factory concentrate on the delicate work of final assembly. A dozen office workers and a hand-ful of designers complete the workforce, while a nearby factory run by a Bossi relative turns out belts and handbags

could get the raw materials.

to match the footwear. Outside in the factory parking lot, the cars are small but new as people return from lunch-most well ahead of the pm official resumption of Last year, be estimates that work.

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OFFICES: Milan, Algiers, Moscow, Peking. CORRESPONDENTS: New York, Mexico City. Rio de Janeiro, Brazzaville.- Giovanni Falcone has won national fame as an anti-mafia magistrate

War against the mafia

sirens."
With this remark the young carabinieri guard at Palermo's Palace of Juctice removed the cigarette which had been dangling from his lower lip and adjusted the sub-machina gun strapped ever his aboulder. A moment later the sound ef wailing sirens fulfilled the young soldier's prophecy—Sig Giovanni Falcone, the antimafia magistrate who is Italy's most beavily guarded man, was most beavily guarded man, was en his way back from lunch.

Threugh the congested streets of Palerme sped a metercade of four Alfa Romee pelice cars. As eoon as the cars bed screeched to a halt in front of the buge palace of justice, no fewer than 11 armed bedy-guards leapt out and sur-rounded the jovial and bearded Sig_Falcone.

The twe carabinieri inside the hullding hoisted their machine guns te an alert position and an advanced guard of four policemen, each weering thickly padded bullet-preof vests and helmets, led Sig Falcone the distance of two yards from street to building. Each of the guards had his pistol drawn and beld at waist-

level er higher.

"He is the most courageous man I have ever known," says ene Western diplomat, referring to the extremely dan-

arrests and take measures to deal with suspected mañosi. Last year the 45-year-old Sig Falcone gained national fame as

the magistrate who persuaded the middle-ranking mafia "soldier," Temaso Buscetta to break the code of silence er omerta. This, in turn, led to the arrest of 366 suspected mafiosi and immediately caused the politicians in Rome (including Prime Minister Bettino Craxi) to make grand statements about a new breakthrough in the battle against the maña.

Murders

But from his dark and gloomy vault-like office (the bullet-proof windows are small), Sig Falcone knows another reality. He knows that five of his colleagues have been murdered by the mafia in recent years, the last victim being his good friend Sig Rocco Chinnici, blown up in a car bomh in July, 1983.

He knows that his work, aleng with a team of four other magis-

He knows that his work, aleng with a team of four other magistrates, cannot change the situation in Sicily overnight. He knows that it is already an achievement to have a team of five imagistrates working together against the mafia (it is harder fer the mafia to kill five magistrates simultaneously than to murder one or two). And he knows that despite the signific-ance of his work with Tommaso Buscetta, Buscetta was not a godfather, but merely e middle-level mafioso.

This is not e battle we will win today or tomerrow. But prospects are gradually improving. We are taking e step in the right direction," remarks the relaxed Sig Falcone, smoking e Dunhill cigarette and

Corruption and

politics

SARI GILBERT

SCANDALS are nothing new in Italy. Indeed, after mere than a decade of reporting bere, an overflowing "scandals" file

ranging from fixed soccer

remedy prefabricated buildings,

accepting bribes from patients

eager to circumvent leng wait-ing lists fer bospitalisation.

Other reports with banner beadlines tell of kickbacks

taken by public efficials fer the sale of aircraft, sleazy oil impert deals and airport

But the latest scandals, in

particular one involving millions of dollars in unregistered er "black" funds accumulated and allegedly

spent by managers of the giant state holding company IRI, and another which saw six city

officials in the Communist showcase city of Belogna arrested on bribes charges involving largely unattainable

building licences, suggest more than ever befere that corrup-

tion in Italy is not just one of social evils shared by most

countries but a built-in part of

changed hands when business firms, and less frequently individuals, find employees of a creaking and underpaid Civil

Service etherwise "unable" to ect rapidly, has long been a

In a country not known for

its excellence in erganising a streamlined and impartiel administration, over the years decades, centuries, perhaps— gratuities and other tangible

signs of appreciation have been eccepted by many as e necessity (in their book on Italy, Jehn C. Adams and Paole Barile even claim that, in 1959,

Pope John XXIII said it was not e sin to bribe a public servant if, by doing so, one made the system function

But despite the eutery that occasionally hits the front pages, few people in Italy are bothered by such practices, convinced, no doubt correctly, that to some extent they exist in most human societies.

What is most tronbling, they

say, is the explosive way in which the country's extensive state-owned economic interests

in most human societies.

fact of life here.

Not a sin'

the Italian pelitical system. The "bustarella," or small envelope stuffed with meney that, in Italy, traditionally bas

with yellowing news-clippings recalling a

unscrupulous surgeons

unsavoury cases

a reperter's

"The mafia exerts rigid control here," says Dr Oleoluca Orlando, the Vice-Commissiener oriance, the vice-commissioner of Palermo and one of the few Christian Democrat politicians ready to admit that some members of his own party are bribed

bers of his own party are shown by the Mafia.

Dr Orlando does not mince words: "The mafia moves quickly here, with the drug discharge and how time to trade it does not have time to cultivate political contacts. It buys politicians and if someone's is not 'for sale,' be is

Judge Falcone would probably agree with this analysis, but he would net say so publicly. He does not care to make licly. He does not care to make proneuncements about politicians, particularly as he feels that there is now significant co-operation from Rome, from the Interior Ministry and from others. If, on leoking back over the nast few years when a the past few years, when a number of national politicians were less than helpful in battling the masia. Sig Falcone feels bitterness, he does not

He is too decent a man, too dedicated to the state, too sensitive and kind. There is something cherbuic about his face which makes it hard to reallse that he is et once Italy's most important general and most important foot soldier in the battle against the Mafia. Have politicians in Rome in the past paid insufficient etten-

tion to the mafia question? Sig Falcone sighs and finally comments: "For a number ef them, in the past, addressing the mafia question was like being served e lunch dish you. don't like. You'd rather leave

"DON'T WORRY, Indge Falcone and his four fellow come will be back from lunch any minute now. And you will hear the sets here. You will hear the sirens."

But the rewards are beginning gets here. You will hear the sirens."

But the rewards are beginning comers under Italian ranging powers under Italian law, the investigating magistrate is in a unique position to sequester bank records, make cigarette which had been dangling from his lower lip and adjusted the sub-machina gun strapped ever his aboulder.

Falcone and his four fellow investigating magistrates have chesen.

But the rewards are beginning to come, slowly. With wide really be of interdicting the multi-billion dollar heroin trade multi-billion dollar heroin trade multi-billion dollar heroin trade which has made the modern mafia a vicious and bloody marking a

He says, however, that he is working with Sig Ciriaco de Mita, the national secretary of the Christian Democrats, "to liberate our party from every risk of mafia infiltration."

But the most important work heing done to bettle the meda being done to battle the mafia is, without a doubt, by Sig Falcone and his colleagues.

Investigation

Travelling to the United States and Brazil frequently to continue his investigation, Sig Falcone is laying the ground-werk for literally hundreds of cases. The amazing thing is that his files are not yet com-puterised. Thus, every indi-vidual magistrate carries around, in his head, a store of information, pieced together meticulously and therefore irreplaceable. Every Italian anti-mafia magistrate is there-fore a walking target for the murderous organisation: kill a magistrate and you destroy more than an official; you more than an official; you eliminate a storehouse of data.
What does this means for Sig Falcone and his wife in Palermo? It means that they have virtually no personal life. A bullet-proof glass sentry-box stands near the Falcone apartment building in Palermo. Helicopters sometimes patrol overhead. One security guard points out that "if the Maila really wanted to bomb him from

the sky, we could net stop them." But on the ground, Judge Falcone is well protected. judge.

Falcone, Italy's most heavily-guarded man: must do my jeb'

A bodyguard says that going to a restaurant with the Falcones is no easy thing. Four Alfa Romeo police cars pull up at the Trattoria and then the Falcones' table is surrounded by bodyguards who also eat at nearby tables. Sig Falcone takes many meals at police barracks with his guards. What is this like and how can

it ever be different?
"We are not fearful. I am a magistrate, you understand, and I must do my job. This is my work," says the self-effacing

It is more than his work: it Can he go out to a restaurant? is his life. And the curious, "With difficulty," he answers. even eyebrow-raising fact is

that, aside from a few other anti-matia magistrates around Italy. Sig Falcone's team of magistrates in Palerme numbers only five, while the malia has annual revenues of billions of dollars, tens of thousands of collaborators with entrenched control of Sicily and other parts of Italy. Why don't the politidiately treble or quadruple the number on anti-mass magis-

"I don't know the answer to that question," says Judge Fal-cone. "That is a question you might ask in Rome."

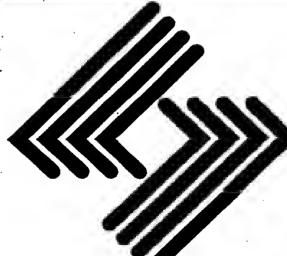
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have stimulated the predatory attitude of Italy's political parties and many of its poli-ticians. Undoubtedly, the majority of Italian politicians and public administrators are honest men

and women struggling to make epply the thousands of "leggine" or mini-laws and regulations that govern daily life in a country torn between rampant individualism

and over regulation.
In recent years, under the particular urgings of groups like the Republicans, the Radicals and the Communists; growing and the Communists; growing attention, in Parliament and on the IRI mess, which could ont, has been paid to the "moral question." Yet despite the grow-merely the latest in a series of the dangers of th ing awareness of the dangers and moral implications of lottizzazione—an Italian spoils system which views the state's holdings as a gigantic ple to be divided among the country's most powerful parties — the Italian system has developed into e full-blown partitocrazia er party ocracy, in which raking-off the top to fill party pockets has become mere the rule than the exception.

Cash crisis

The parties' financial needs grow incessantly eutpacing by miles the funds the government allocates to them for running expenses, and increasingly they must push their tentacles into more and more areas of Italian life. The fact that the same parties have been in power and the same in opposition fer nearly 40 years means that there is rarely a clear-out of skeletons

in the cupboard.
"These days, kickbacks have become the drug of the party system, the beginning and the end of many political careers,"
was the coment of one disgusted Socialist politician. The effect of this unedifying trend has been magnified several times ever by political decentralisation, which has increased decision-making power regarding infrastructure public works and ether investments at the municipal, pro-vincial and regional levels.

"The Italy of political par-ties is in bandcuffs," a top Italian political commentator wrote, not long ago. And, in fact, a look at the Italian "scandals map" suggests that today, as never before, Italian courts are being ferced to deal with a stronging number of with e growing number of Italian politicians or public efficials under arrest, investiga-tion or indictment for corrup-

efficials under arrest, investigation or indictment for corruption of some ferm.

In the IRI "black funds"
scandal, broken by the investigation of a deep-probing
Milanese judge, Gherardo
Colombo, but subsequently
transferred to Rome (where
politically "sensitive" magistrates may turn eut to be more
understanding), those charged
or under investigation include
a former IRI chairman, the
Christian Democrat Senator
Guiseppe Petrilli; Fausto
Calabria, IRI's fermer director-Guiseppe Petrilli; Fausto Calabria, IRI's fermer director general; Sergio de Amicis, former managing director of Condotte D'Acqua, one ef IRI's construction companies; and Ettore Bernabel, managing director of Italstat, an IRI holding company for the con-struction industry.

Sig Beranabei, ene of the Christian Democrats' most powerful and trusted state managers and the fermer head of Rai, the Italian state radio and television network, and the

others are alleged to have dis- with draining monies from the tributed secret funds totalling more than L300bn (\$150m) among friends, families; new

New scandal over 'black' funds

They are alleged to have done it by appropriating the interest on funds intended for the financing of construction

the body politic, including some from the Communist Left, a group which, over the decades, successfully increased its strength largely by its effective sponsoring of the so-called

'moral question."
Although Communist Party officials were, themselves, not involved, the recent arrests in Bologna elicited a spate of head-lines about "red kickbacks" from newspapers of differing political persuasions.

In Turin, where another Leftwing city government recently came to grief, the Socialist deputy mayor, three Socialist commissioners, a Communist Party official and several Christian Democrats have charged with taking graft from a wheeler-dealer whe is said to be linked in a variety of business deals involving the city administration. And also centred in the surrounding Piedmont region is the still-smouldering eil acandal which saw politicians, oil importers and customs police officers conand customs police oncers con-spiring to avoid some L544bn (\$272m) in taxes, e significant proportion of which is said to have ended up in generous poli-tical "donations."

In San Remo six Christian Democratic city officials, including the mayor, and three other local politicians from centrist local politicians from centrist. In Sicily last month, an arrest wrongly, that those in poparties were charged in 1982 warrant for embezzlement was unethical and disbonest?

intake of the city's casino. In Savona, the Socialist president of the Ligurian region and

on various counts of corruptien involving local real estate. In Nonantola, near Modena, in central Italy, an investigations trapani.

under way regarding suspicious Trapani.

The list goes on and on. But two former mayors and several city commissioners behind bars. In Flerence, Socialist officials and party functionaries are sus-

pected of taking graft in city real estate purchases. Further south, the situation is no better. In Neples, allega-tions that heavy kickbacks were invovled in post-earthquake reconstruction subcontracts subcontracts landed ene local Communist official in jall and saw Communist deputy Andrea Gera-micca placed under investiga-

Campaign

Previously two Social Democrats and a Republican, all city comisiseners, were charged with a role in the so-called "cemeteries racket" in which kickbacks were received in exchange fer the prompt assignment of scarce burial plots. The massive anti-Camorra blitz of June 1983 saw e halfdozen local officials fall into the giant police net. Other scandals have surfaced in Puglia and Calabria, where local officials are said to have become rich by belping businessmen and farmers win state

and EEC financial grants to which they simply were not en-

issued for former Christian Democrat mayor, Giuseppe Insalaco. Others arrested in recent

papers and, of course, political a group of aides and acquain-years include the Christian party coffers. Palermo Province, the city's Christian Democratic finance commissioner and the former tral Italy, an investigation is Christian Democratic mayor of

city's former Christian Democratic mayers and public works commissioners, and of financiers Nino and Ignazio Salvo, who for decades had run the region's autonomous tax collec-tion agency, was a disturbing confirmation of how, at its very worst, the system lends itself to the creation of what has been termed "the politico-Mañoso lobby."

Part of the problem may stem from Italian history. Centuries of empire and feedulism

the art

of empire and feudalism inevitably cultivated in those in power here an attitude which looked at the realms over which they ruled as personal fieldoms available for domination and personal plunder rather than as social organism to which a social organism to which obligations were owed. That ettitude has left a heavy heritage with which the exponents of a res publica must

continually vie in opposition.

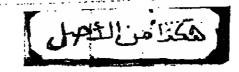
But, at this point, the question of origins is perhaps less important than the pernicious effect on society as a whole wrought by the jaded views that most Italians have

of the country's rulers.
"What can we expect in general buman behaviour,"
mused a high-ranking state official the other day, "if most citizens believe, rightly or citizens believe, rightly or wrongly, that those in power are

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Balances with banks Securities Advances to customers Total assets Customers' deposits Total deposits Provisions Capital and reserves Net profit	1.141 751 640 2.870 1.491 2.272 97 130	+24% +12% +21% +19% +12% +20% +17% +13%
Net profit	17	+54%



Football is big business

Italy 11

Spectator sport DAVID LANE

SIMPLE ENJOYMENT of the game is not enough in Italy.
With football it is essential to
be partisan, as the examples set by top people clearly demon-

Giovanni Agnelli is honorary chairman of champion team Juventus, as well as being chairman of Fiat. Ciriaco de Mita, national secretary of the Christian Democrat Party, is an enthusiastic Avellino supporter and the film director Franco Zefferelli rarely misses the chance of putting in an appearance for Florentina. Italy'e triumph in the World Cup in 1982 united the country as has no other event since the fall of fascism.

Neutral spectatorship is not Neutral spectatorship is not permitted, or at least not believed, by Italy'e millions of dedicated football fans. But even 2,000 years ago it was probably difficult to sit on the fence in the lions versus Christians events at the

"Who are you for?" insisted the ardent bar-owning Roma supporter last May, when her team was involved in the European Cup Final against Liverpool. Sportsmanlike expressions of hope for a good match, and that the best team should win, fell on unbelieving ears.

15m spectators

Outside the bar, the brick wall was turned into a chequerboard of crimeon and gold, the Roma colours, and red post-boxes were easily transformed overnight into dumb, faithful fans. "Grazie Roma" shrieked the huge banners which were spread between lamp posts in celebratory anticipation of e Roman night of victory.

But there were no convoys of

loyous, fiag-waving fans on that May evening when Liverpool cruelly and competently earned the Champion's Cup on penalties, after extra time. And the next morning, Roma supporters were faced with pavement grafiti, sprayed by followers of the capital's other team Lazio or by eviled Inventus fans. say. the capital's other team Lazio or by exiled Juventus fans, saying "Coppa dei Campionis Scordeteia" ("Champion's Cupforget itt") and "Grazie Graziani," a bitter reminder that one of the home side's top players missed a penalty kick.

"Roma was destined to lose when Campion approach binger!

the day of the big match in this means mainly football.

Italy, there is more than just e small element of religious fervour in Italian football, whose famous players are trested as stars and revered as

demi-gods.
Yet, despite massive television coverage during and
after the matches, gate numbers at the grounds have not suffered. In the 1983-84 season Italy's 16 first division and 20 second division clubs attracted a total of 15.5m spectators.

while this was less than the previous year when 17.6m soccer enthusiasts were drawn through the turnstiles, helped by the national side's 1982 World Cup victory in Spain and her the arrival of the formal side of the same o hy the arrival of star foreign players, it was still slightly higher than the 1980-81 and 1981-82 seasons.

After the 19th of this season'e
30 Sunday appointments with
first division games, total gate
numbers were about 200,000 up
on 1983-84, so Italians continue
to be loyal to the live game.
Moreover, the figures show
that Italians are willing to dig
deeply into their pockets in
order to soak up the excitement
and atmosphere which only the
stadium can give. In 1983-84
they spent L142bn (about
265m) to watch first and second
division matches. After the 19th of this season'e

division matches.

Already, by mid-Fehruary, takings at first division matches this season had reeched L76bn, an increase of L15bn on last year. The big gain has been made with increased season ticket sales which now account for over one half of gate revenue compared to 40 per cent last year. With the small change left

after e season ticket investment of between L200,000 and L700,000 (about £90 to £820) for 15 games, or L25,000 (£11) for a standing place on the terraces to see one metch, dedicated football fans can relive the magic of Sunday's game

in Monday's papers. Even the staid Corriere della seven the stand Corrière della Sera bowe to popular taste by giving eight of its 24 Monday pages to football reports, and La Republica which does not publish on Mondays has three football pages on Tuesday.

UK players

But "media megakili" is supplied by the specialist press. Ask for the Corriere at a Rome newstand and the odds are better than evens that Corriere della Sport will be passed across the counter. This is central and missed a penalty kick.

"Roma was destined to lose when Graziant crossed himself Milan's pink. Gazzetta dello before taking that kick " said a knowledgeable Tonino supporter. Both papers publish daily knowledgeable Tonino supporter. With print runs of about 400,000.

"Puting faith in the super with print runs of about 400,000.

"Puting faith in the super and although they are as large as the Corriere della Sera in sign of weakness in a footballer," he added Bur leaving 30 pages are given over entirely aside the fact that Sanday is to sport, and even in summer,



Turin's Juventus, On the left are Gaetano Scires and Marco Tardelii of Juventus. The match ended 1-1

It is an encouraging sign for ing on jerseys, and both they the British game that the and the players have exploited scoring by Italy's football this economic opportunity to the journalists has kept former full.

Portsmouth striker Mark Hateley, now wearing the red and black strip of AC Milan, way out front as the best centre forward in the Italian league. Ray Wilkins, ex-Manchester United and now wearing Milan's number 8 shirt, holds second place for his position on the field. And Graems Souness, ex-Liverpool and now

with Sampdoria of Genoa, has fourth ranking.

Moreover, Hateley has a substantial leed over other foreign stars like Platini, Maradona. Zico and Rumenigge in Corriere dello Sport'e "Super Straniero" table compiled from the votes of the fans. of the fans.

Football is e massive business in Italy. Two large-circulation national newspapers and a host of other publications flourish on the back of the sport and the state enjoys the lion's share of the gross takings of the foothall pools, Totocalcio, on which about Lishn is betted every week And if soccer is hig but leading to the beneares of the society of the so ness for the hangers on, it is obviously even bigger business for the clubs themselves.

for the cinbs themselves.

Claudio Sposito, deputy side on fiscal regulations and manager of Barclays Bank in exchange controls.

Milan and a keen football follower, has recently completed a detailed study of the finances prepared by the clubs are certainly not transparent, and the exact amounts and the exact amounts and of Italy's major clubs. Sposito's work shows, contrary to the widely held belief, that clubs are far from being economically unhealthy sporting giants. In 1982-83, all but one of the 16 first division clubs showed

an operating surplus, with Javenius and Roma both exceeding L6ba.

been allowed to carry advertis- are far from rare.

Again Juventus leads, with earnings of IA.5bn in 1982-83 from sponsorship (white goods maker Ariston), league contributions and other commercial cial activities, some way ahead of the Milanese club Inter which collected L3bn from the same sources.

The clubs, however, need every billion lire they can find, in order to sign and pay star players to produce the results and attract the crowds. Two years ago the Udinese club, sponsored by crisis-struck Zanussi, found L6.5bn to acquire Brazilian star Zico. And last year Napoli trumped this by paying L20on for Argentinian Diego Maradona.

A bargain By comparison, Mark Hateley, who cost L1.5hn, plus L130m annual salary for three years, represents a remarkable bargain for Milan. The British player is now valued at L5hn. With large sums like this, and international boundaries being

crossed, it is not surprising that Italy's footballing fraternity is widely suspected of being of

the exact amounts and mechanics of payment are kept

well out of the floodlights.
While black payments may be
a stain on Italian football (and
allegations of hribes and bought games have not been absent over recent years), another proven and equally menacing threat darkens the scene. Foot-Sponsorship has provided a threat darkens the scene. Footboost to club's income. For the past four seasons clubs have at Italian grounds and stabbings



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Chronic lack of finance

Music and the arts IENNIFER GREGO

TOURISTS who buy a widelyavailable guide to the museums and galleries in Rome will find illustrated on the cover the famous statue by Canova of Paolina Borghese.

Paolina Borghese.
But if they try to see the statue, they will be disappointed. The Villa Borghese, which besides being one of the most pleasant, and possibly the best patrician art collection in Rome, has been closed since early last year, because of the precarious state of its cellings. There is still no reopening date. There is stil no reopening date.

This is not the only case: the

This is not the only case: the archaeological museum in Florence is still awaiting repairs for serious flood damage in 1966, while another important collection of Etruscan remains at the Villa Giulia in Rome is also plessed. The year 1995 has also closed. The year 1985 has been designated. The Year of the Etruscaus." In the ten years since the

In the ten years since the Ministry of Arts was set up, the problems have become, if possible, worse. Neglected and rundown museums, lax security and a shortage of training schools for students of art restoration, are some of the most serious difficulties. difficulties.

The average Italian's expecta-The average Italian's expecta-tions of a state institution are anyway extraordinarily low and the general collapse of the state's direction of all the arts may be due partly to this attitude. The public, expecting little, puts up with too many deleve.

The best artistic talents soon The best artistic talents soon tire of the state system, discouraged by the stiffing bureaucracy and resentful of the time wasted in balancing internal political factions, rather than being able to face the property of protects. rather than being able to tace at its discretion. This is continued in the urgent problems of protection and preserving ing and preserving itself, according to critics of the policy. The lack of public initiatives pany."

A senior art historian on the A semor art historian on the staff of the Gallery of Modern Art in Rome, complaining of the lack of initiative in promotthe lack of initiative in promoting exhibitions, asked for a secondment to a foreign museum to learn how projects museum to learn how projects were completed elsewhere. She was brusquely refused on the grounds of "lack of funds."

danger, however, that projects could be chosen as much for their publicity value as for the long-term public interest. So far, there seems to have been a happy combination of learn horb. grounds of "lack of funds." Chronic lack of funds is undoubtedly a major reason for only

slow progress. For example, construction work has been going on to enlarge the Modern Art Gallery in Rome for the last ten years and is still incomplete (its electrical system dates largely from the official opening in 1915). Work is also still going on at Palazzo Barberini, designated 20 years ago as the future National Gallery of Antiquities, but still mainly a place for conferences and an officers' club.

Leonardo'e "Last Supper" in designated by UNESCO as "European Music Year," which years age and is expected to should have launched a non-stop stop season, he was only able to go as far as July, due to the understandable difficulty of drawing up a programme with out knowing how much money the "Horses" and the exhibition, "The Treasures of S. The director of the Rome Opera, Dr Alberto Antignani already calculates that the officers' club. officers' club. Last year, Italian museums

and galleries earned little more than L5bn (£2.3m) in entrance fees. These fees have been absurdly low, and Parliament recently approved a proposal to double them.

The Travel Agent'e Associa-tion and the Netional Tourism Association here have calcu-lated that "art" tourists bring in as much foreign exchange each year as do those who go to the Ligurian Riveria and more than those who go to the Dolomites.

When it looked recently as if the Interministerial Committee for Economic Planning might not, after ell, award the Arts not, after ell, award the Arts Ministry the expectoi L610bu of the investment funds available (worth, in all L3,000bn, the Minister, Antonio Gullotti, protested fiercely to the Budget Minister, PierLuigi Romita, putting forward strong arguments: the serious etate of degeneration of buildings, churches and theatres throughchurches and theatres through out the country; the certain economic advantages that would come from the increase in tourism, the employment of skilled restorers and incentives to further research of new restoration techniques.

Inadequate

The latest announcement is that L175bn will be available for Italy's artistic heritage, of which L132bn will go directly to the Arts Ministery to be used at its discretion. This is con-

that the private sector has be-come more active. There is a danger, however, that projects

Olivetti has sponsored not restoration

the

But even more laudable is the action of four private individuals who, in 1975, launched an only 1,500 subscribers so far.

Another is Flat's imaginative

action in bringing an artistic director of the stature of Pontus Hulten to head their new arts centre at Palazzo Grassi in Venice. Restoration work will be

Restoration work will be going on all this year, including that of the theatre, unused for ten years, which seats 700. The arrival of Hulten (director and founder of the Moderna Museet of Stockholm, inventor of the Beaubourg in Paris and, most recently, of the Museum of Contemporary art in Los Angeles), is exactly what Italy needs to let a little light into the somewhat inward-looking and elitist art establishment bere.

bere.
Stimulating competition from the private sector can do no harm to the musty and disordered State administration, and much for the city of Venice. Hulten plans to do for exhibitions something of what Kenneth Clark achieved with his "Civilization" series; provide the links between the visual arts, music, literature (and even dance) of a periodthe best form of popularization, Italy's 13 established opera companies show great courage

companies show great courage in the face of much insecurity. La Scala in Milan describes itself, not without irony, as an uneconomic public com-

presenting less than a month before the opening night the programme for the 1934-35 season, explained that events had been so bad at the end of the summer that L6bn had local authority to pay the employees salaries. Even then, in

L80bn too little. He reckons that La Scala, for the period 1976-1983 has accumulated a Italian version of the Netional 1976-1983 has accumulated a Trust (Fondo Italiano per deficit of L38bn as against l'Ambiente), based on the Rome's L30bn and sees as English pattern. They have one of the chief reasons for acquired 16 properties but have houses are forced to operate as commercial concerns in a as commercial concerns in a highly competitive world. Thus, they have to commit themselves to spending high fees in booking artists in advance, while also subject to the inhibiting controls of a state concern.

Income

Dr Antignani has booked singers for as far ahead as 1988, but only has funds to cover the next month. He still does not know what his cash allotment will be for 1985. The opera is thus forced to borrow

opera se thus forced to corrow at high interest rates.

Dr Antignani also complains of the difficulty of maintaining e larger permanent staff than is needed 600 in Rome— because of strict union rules (85 per cent of his funds goes in wages, alone).
The main source of income,

the box office, helps little, as prices are kept at a "political" rather than a realistic price; a stall seat costs L30,000 (£13.60), whereas Dr Antignani says a realistic price would be

Both opera houses feel that their problems are at last being taken seriously, however, and have hopes of a more settled future. It is not only in the art world

that the strain of maintaining Italy's vast collection of his-Last November, La Scala torical treasures is felt. director, Carlo Maria Badini, in Recently, Corrière della Sera presenting less than a month reported that the dungeons under St. Peter's, where the popes are buried, have become infested with snakes; harmless, maybe but the 26 young reptiles that were caught were bad to be borrowed from the aiready haif a metre long.

Those visitors of less mettle than Indiana Jones should peryear haps give the tombs a miss.

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PROFILE: THE NOVELIST ITALO CALVINO

'The grand old man of Italian literature'

WHEN A MAN rides a long time through wild regions, he feels the desire for a city. Finally, he comes to Isidora, a city where the buildings have spiral staircases en-crusted with spiral seashells, where perfect telescopes and violins are made, where the foreigner, hesitating between counters a third. . . .

He was thinking of all these things when he desired a city. Isidora, therefore, is the city of his dreams: with one difference. The dreamedone difference. The dreamedof city contained him as a
young man; he arrioes at
Isidora in his old age. In the
Square there is the wall
where the old men sit and
watch the young go by; he
is seated in a row with them.
Desires are already memories.
—from "Invisible Cities."

THESE LINES of poetic prose from the writer's own favourite novel among his two dozen books, help to explain why Italo Calvino is viewed by numerous American, British and Italian critics as Italy's best living writer of fiction.

Modest and shy to the point of being self-deprecating, the 62-year-old former resistance fighter sits quietly with his Argentine-born wife in a spacious apartment, a few steps away from the Pantheon in

"I am not really a novelist." he demnrs in e typically polite denial of his recognised talent. Calvino is best-known as a writer of moral tales, of fan-tasies and fables. In a world of contemporary literature often obsessed by realism and immediacy, he stands out as a creator of alternative dimen-sions. He says he envies those writers, particularly Americans such as John Updike and Mary McCarthy, who "take contemporary life and immediately transform it into novels."

But Calvino's admirers would say that he has stumbled anto something much more exciting, an ability to invent and

as the internetionally acclaimed If on a Winter's Night, a Travelof his imagination.

"He writes of imaginary places and worlds. He is constantly probing the possibilities of literature, but he is not a prisoner of fantasy. He is a rationalist who writes fantasy. There is never poetic ebandon or surrealism," comments Dr Citati.

Cuba in 1923, where his parents were stationed, both scientists working in agronomy and botany. He spent the first 25 years of his life in San Remo, where his fether was director of an institute specialising in tropical horticulture.

"I am the black sheep of my family," be says with a smile, "because I declined to become

Influence

In 1945 he headed for Milan, the centre of Italy's post-war cultural renaissance. For a time he worked as an editor at Einaudi, Italy's publisher of art hooks and quality literature. books and quality literature. Among his friends were the Italian writers Cesare Pavese and Elio Vittorial. Among the foreign writers who influenced him the most were Vladimir Nebokov and, of course, Hemingway.

"Hemingway was the god. He was the discovery for my generation, for his style, for his persona, for his life experience." recalls Calvino. Hemingway and Calvino first met in 1948, on the shores of Lake Maggiore, where somewhat predictably, went fishing together.

Ezra Pound, another American writer who immersed himself in Italian life, gets short shrift from Calvino.

"I didn't know Pound because he was on the other side, with the fascists. He was e very intelligent man, but always a fanatic. I remember he had transform, to hold a mirror up to nature—and then write about the mirror.

Dr Pietro Citati, literary critic for the Corriere Della Sera, says to the Nest of Spiders (pub-

the Calvino has grown drama-tically since he began publish-ing short stories, just after World War Two. Books such pared to his leter writings. But pared to his leter writings. But even in the early days the critics on a Winter's Night, a Travel-began referring to Calvino's show the range and depth fair for fantasy. Critical acclaim came in 1951 with the publica-tion of a novelia, The Cloven Viscount

> The author feels that his most accomplished novel is Invistble Cities (1972), which consists of cities which are described by Marco Polo to Kublai Khan. But e number of foreign critics were startled—there is no other way to put it—by the inventive-ness and intellectual force of the 1979 If on a Winter's Night,

> Winter's Night is different from any other book by Calvino. It is a fiction about fictions, a novel which contains 10 first chapters of novels which, for one reason or another, never continue. It is a love story between the writer and the reader as well as between the first-person and the second-person narrative. Calvino spent two years on Winter's Night, for once blocking out any other project to devote himself to what he calls a "hyper-novel."

Winter's Night is a kind of homage to the novel. Calvino describes it as "an homage to the common reader." The hero is indeed the common reader, fascinated by the novel, by plot and style. It would be futile to try and detail why Winter's Night was described, for example, by the New York Times book review as "the most astoundingly inventive novel . . . to come across in a long time,"

But perhaps a few lines might provide a sense of the book: The navel begins in a rail-

way station. A locomotive huffs. Steam, from a piston, covers the opening of the chapter, a cloud of smoke hides part of the first para-graph. In the adour of the station there is a passing whiff of station cafe odour.

There is someone looking through the belogged glass. He opens the glass door of the bar. Everything is misty; inside, too, as if seen by near-sighted eyes, or eyes irritated



Calvino at 62: modest and shy but internationally admired

by coal dust. The pages of the book are clouded like the windows of an ald train, the cloud of smake rests on the

low, John Barth and Anthony Burgess. When asked about D. M. Thomas. The author of The White Hotel, he shakes his head and says "no, no."

After his semester at Har-Calvino says the writing of Winter's Night was "terrible work, very had to do." It was an idea he had nurtured for vard. Calvino hopes to finish a novel which, he says, will ad-dress the subject of "possible worlds, of potential worlds."

Complexes

message he seeks to convey in his writing? "When I heve an idea fer a novel I sometimes let several years pass before I start writ-ing. Or I start and then decide literature stares into the space of his Rome apartment and then it is too difficult—and I put it aside for ewhile." answers with a wry smile: "The second principle of thermody-namics."

Sitting quietly on a large, black leether divan, surrounded by a spectacular collection of African artifects ("my wife's, not mine,") Calvino lifts a hand to his face and ponders when asked about his views an Ameria cloud of heat, the end of the world." can politics and culture.

"This Reagan epoch is a period in which America is trying to escape its complexes, which stem from Vietnam, the Kennedy assasinations, and Watergate.

"Personally, I preferred Jimmy Carter, especially for his presumably, in the mind. The imagination, And if this is Calhuman rights policies. But be was weak-I have to say that I feel, better with a strong succeeded admirably. Among the living writers

whom he admires are the names

ALAN FRIEDMAN

And is there any particular

The grand old man of Italian

"The second principle—all the

"And therefore there is no

promise in the world, and so we

must create an alternative uni-verse, a means of escaping the

inevitable tendency of the uni-

The alternate universe

universe, which is still expanding, will one day become heat,

Pardon?

And therefore?

Private TV networks expand rapidly

Big changes in media ownership

Television and the Press ALAN FRIEDMAN

THE PAST YEAR has se major changes in the ownership of both private television and newspapers, and the changes point to a steadily rising in-fluence for the private sector in the Italian media. Whether this will lead to greater indepen-dence and objectivity in Italy's sometimes skewered coverage of financial and political events is another matter entirely.

The two most significant changes in ownership are the following: last August the private television empire p Silvio Berlusconi · Milanese entrepreneur who has overtaken the state networks in terms of both advertising revenues and audience, grev larger as he acquired from the Mondadori publishing group control of Retequatire, a con mercial network. The second change was that, after two years of court-appointed receivership, the Rizzoli publishing group, which controls the leading Corriere della Sera newspaper, emerged from receivership and was purchased by a consortium of private husines ing the Agneliis, Pirellis, Mont-edson and Bonomis.

Fierce struggle

The consortium which purchased the Corriere della Sera, following a . bitter struggle among political parties over who rould control the prestigious newspaper, has guaranteed Dr Piero Ostellino, Corriere editor, complete editorial freedom. This kind of guarantee is of the utmost importance in a country where Press coverage can at times be manipuleted, even directed by political and business interests. But it is too early to tell whether the Corriere, which suffered greatly when in the 1970s it was controlled by the sinister forces of the late Sig Roberto Calvi of Banco is the Socialist paper and II.

Ambrosiano and his P-2 free-mason associates, can resist the paper proprietors to offer their

In fact, the truth about the print medla ha Italy is thet, while there are many newspapers with lively coverage of domestic and foreign affairs, it is occasionally difficult to accept the word of a newspaper on a given subject. "You must always look for the motives behind the stories here in Italy," comments a financial journalist who writes for II. Sele 24 Ore, the pink-coloured and respected Italian answer to the Financial Times.

Il Sele is owned by Confindus-tria, the Italian employers' association, and while its economic and business coverage is generally the most complete of any Ralian newspaper, it rarely engages in investigative journalism. "Some papers just dan't print stories that could embarrass a major Italian com-pany. It is not allowed," explains one Milan-based explains one Milan-based journalist, who asked not to be

It would be unfair to suggest that Italian press coverage is normally lacking in objectivity. But Italian journalism operates under criteria which are very different from the Anglo-Saxon tradition. For example, it is not viewed as unethical for a journalist to work at the same time as a public relations "adviser" to a company he may be writing about, and the Italian tradition is far more deferential than would be the case in the U.S. or Britain.

The ownership of Italian newspapers is worth noting. La Stampa, the respected Turin-based daily, is controlled by Fiat, the automotive group. La Repubblica, the Rome-based centre-left paper, is part of L'Espresso publishing group, which is 11 per cent owned by Sig Carlo de Benedetti, the Olivetti chairman. Il Giorno, a middle-brow Milan daily, is conmiddle-orow milan dally, is controlled by ENI, the Italian state
energy group which also controls Agenzia Giornalistica,
Italia the wire service. Each of
the major political parties owns
a newspaper—L'Unita is the
Communist party organ, Avanti

tian Democrats, In television, the IBL.
holding company owns the state networks run by Radio televisione Italians (RAI). The tradition, now changed been that the news bro from RAI Uno have ter be less critical of the S Democrats, while the Sc have had more influence

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But the most importan opment in Italian televi been the amazing and Sig Berlusconi's In 1980 he Canale 5, a network w relied heavily on varied and imported U.S. prosuch as Dallas and success of Canale 5 and Uno, another Berk work (Retequative is the shirt) has been phenomenal.

80 stations

The only problem is that until last autumn, under Italian law, it was illegal to broadcast privately on a national back. Thus Sig Berlusconi developed a network of 80 relay stations around Italy and shuttled video tapes around the country to create—successfully—the illusion of a national network,

So successful has Sig Berins-coni been that last year his advertising revenues (net of agency costs) totalled L689bn, against L500bn for RAL. And, according to audience statistics for last December, the three Berlusconi networks captured 43.6 per cent of the 28.9m prime-time viewers, while the three RAI networks secured 39.8 per cent of the audience stare.

Last autumn, however, three magistrates temporarily stopped Berlusconi stations from broadcasting, alleging they were breaking the law, This, in turn, led to a Government decree from the Prime Minister, Sig Bettino Crazi, who is generally. viewed as sympethetic to private television. The decree which will now last for six months, finally legalises the private networks. A new proposed law, will, if passed, allow the private stations to broadcast

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